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## **Ag Markets and Outlook**

**Seth Meyer**

*Selected presentation for the International Agricultural Trade Research Consortium's (IATRC's) 2022 Annual Meeting: Transforming Global Value Chains, December 11-13, 2022, Clearwater Beach, FL.*

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# Ag Markets and Outlook

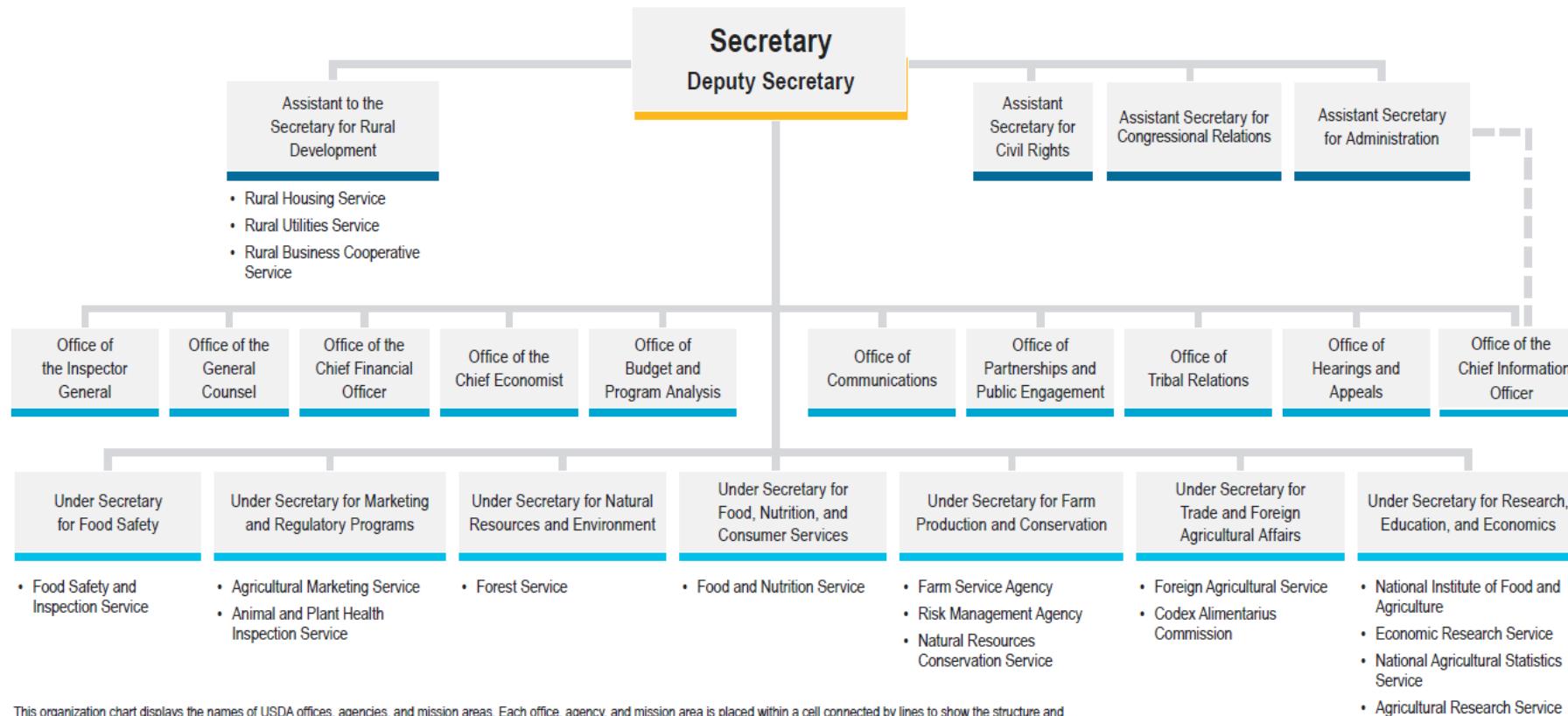
USA Rice

Seth Meyer  
Chief Economist, USDA



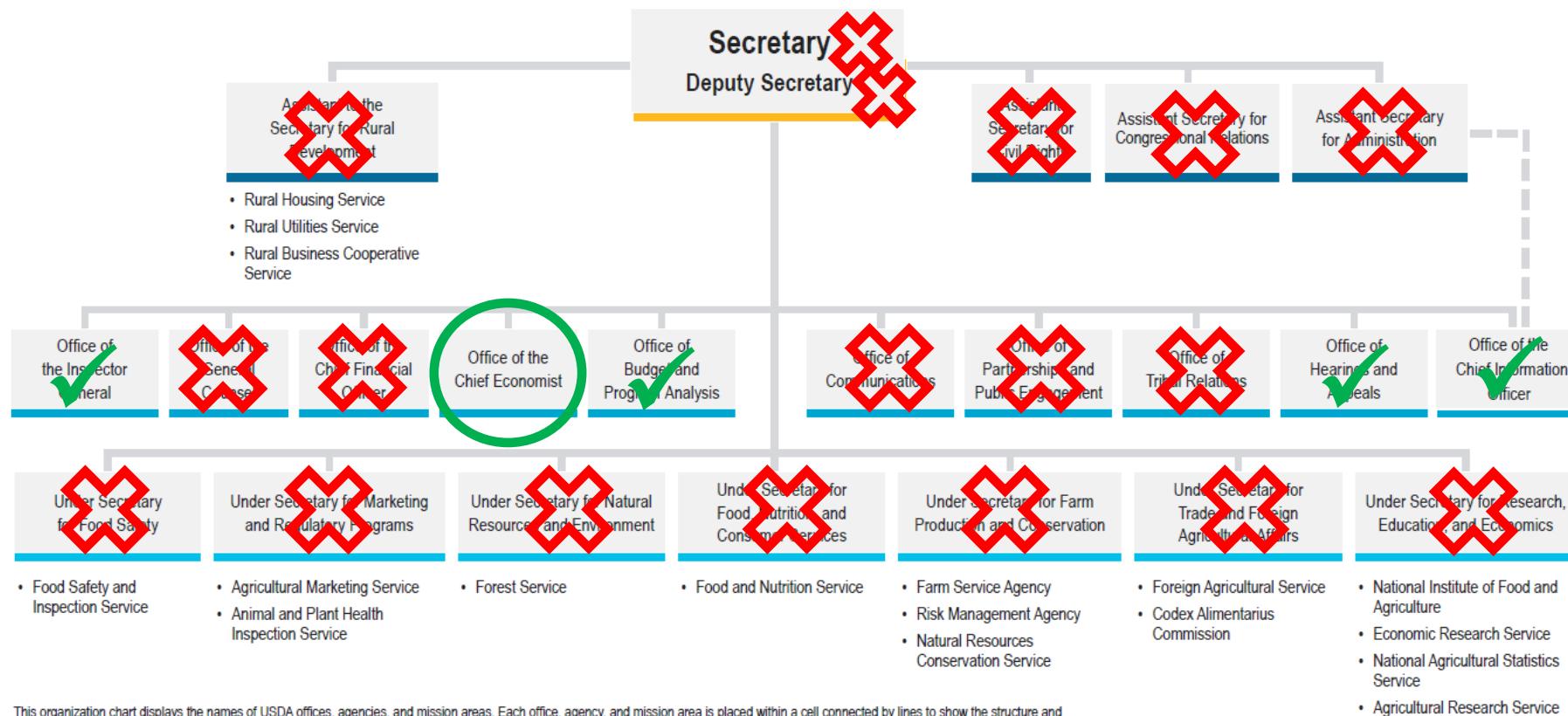
# The Office of the Chief Economist is Non-political

## USDA Organization Chart



# The Office of the Chief Economist is Non-political

## USDA Organization Chart



The Office of the Chief Economist has wide-ranging responsibilities:

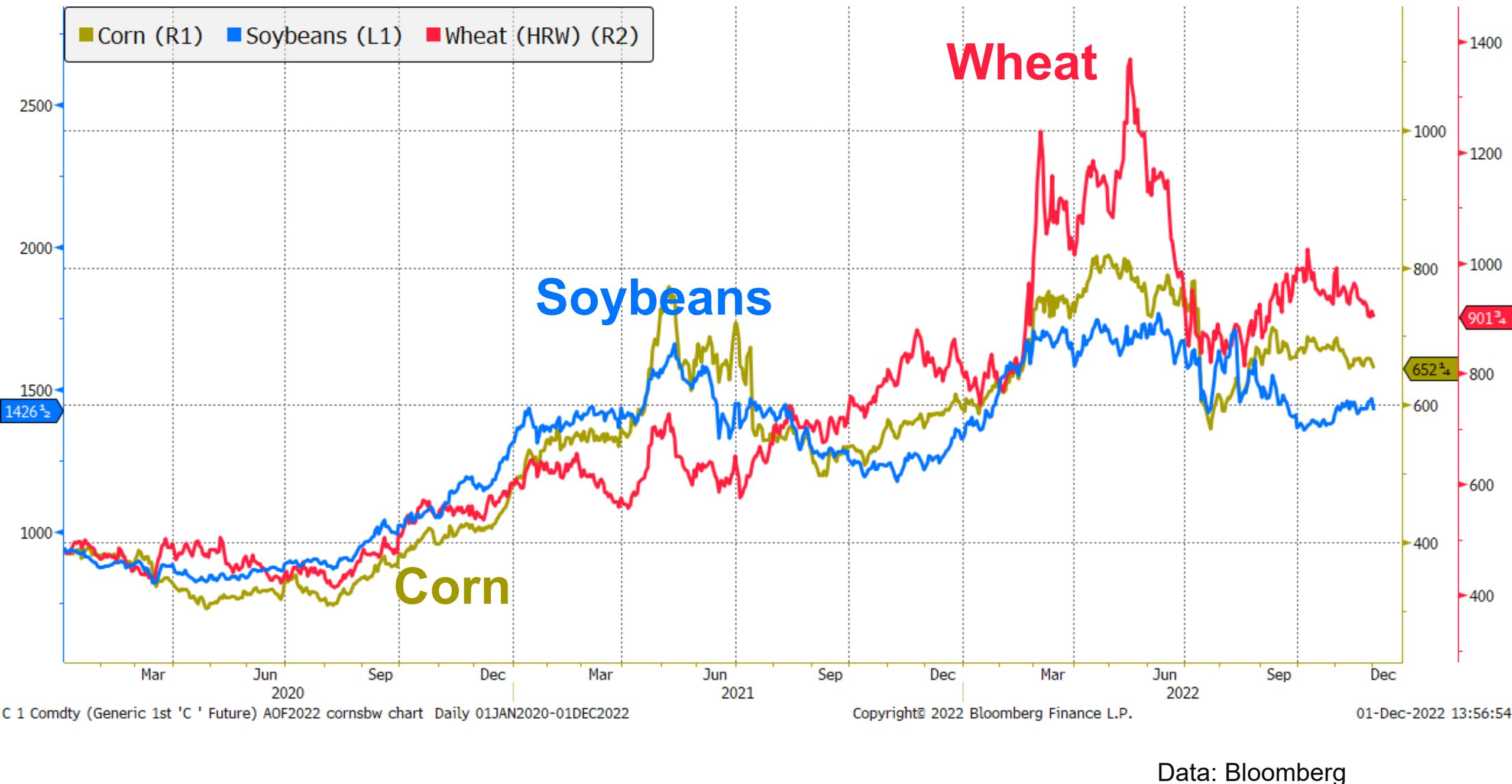
- OCE Immediate Office (IO)
  - Economic and policy analysis
  - Advise the Secretary on economic impacts of market developments, program changes, legislative proposals, trade initiatives, and agricultural labor issues
  - USDA sustainable development coordinator
  - USDA food loss and waste coordinator
- **World Agricultural Outlook Board (WAOB)**
  - Joint Ag Weather Facility (JAWF)

The Office of the Chief Economist has wide-ranging responsibilities (cont.):

- Office of Pest Management Policy (OPMP)
  - USDA's Biotech Coordinator
- Office of Energy and Environmental Policy (OEEP)
  - Climate Change Program Office
  - Office of Energy and New Uses
  - Office of Environmental Markets
- Office of Risk Assessment and Cost-Benefit Analysis (ORACBA)

# Current hot topics

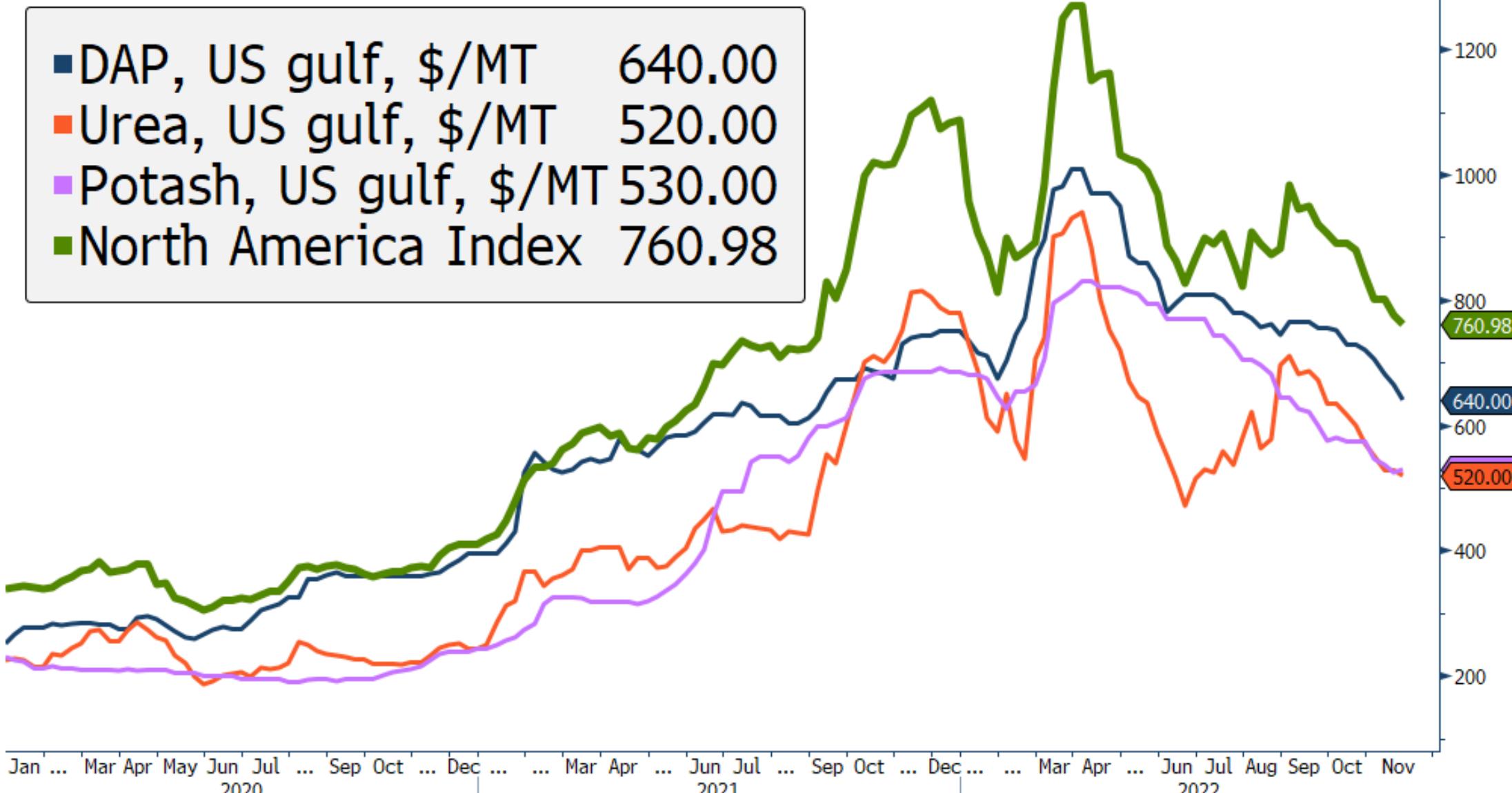
- High and volatile commodity prices
- Grain production and trade from Russia and Ukraine (Grain corridor, export friction, etc)
- Evaluating the 'next' harvest, wherever that may be in the world
- Supply Chain disruptions river, rail, etc
- Concentration, Competition, Resiliency, *they are not the same thing.*
- Domestic and international Fertilizer markets
- Climate Smart Commodities program
- Crop Insurance
- **Farm Bill**
- Food price inflation
- International food security
- Biofuels-Diesel Fuel
- Packers and Stockyards regulation
- Current policy proposals and their intersection with WTO
- The CCC (Commodity Credit Corporation).
- Trade with China
- Mexico GMO restrictions



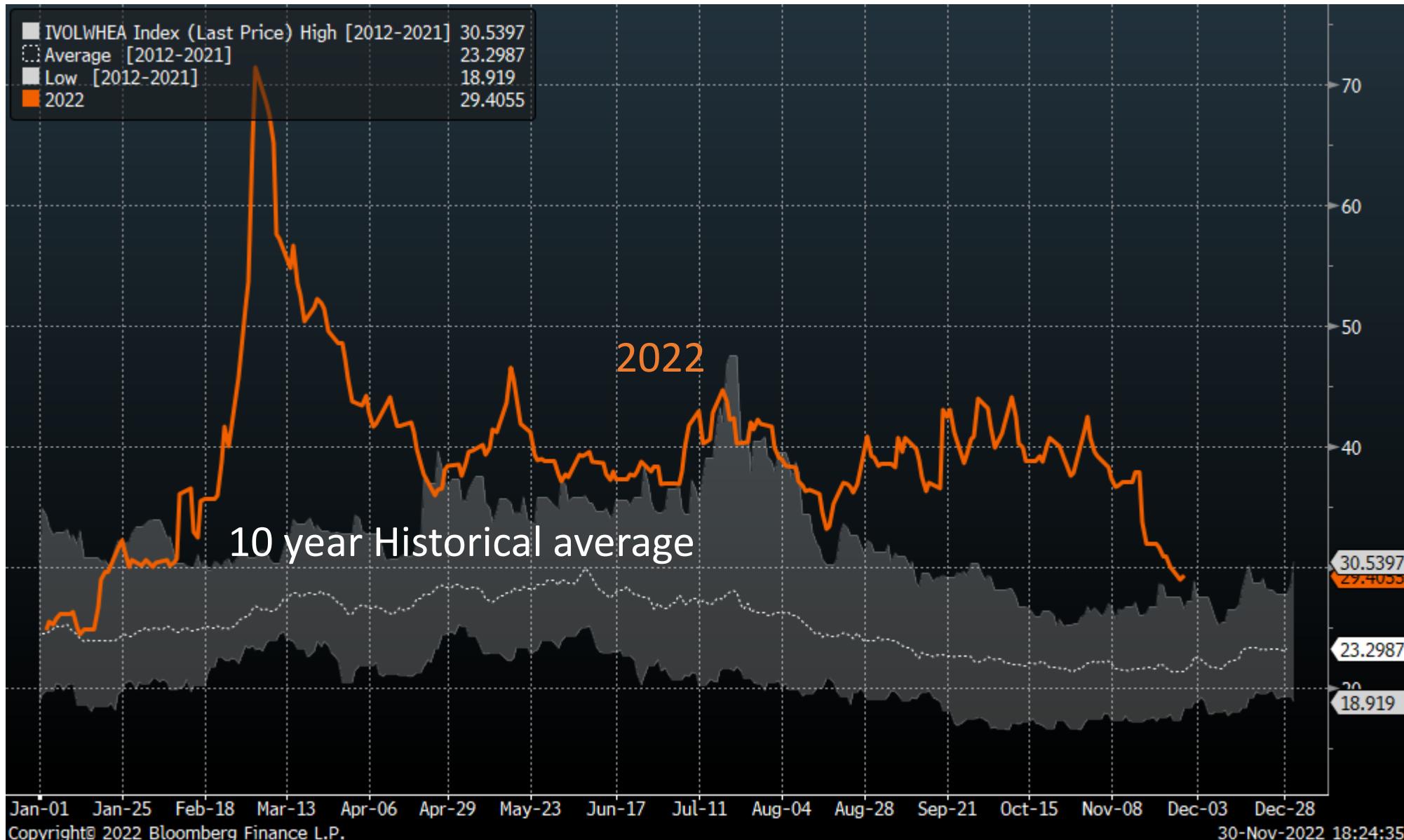
# Energy prices



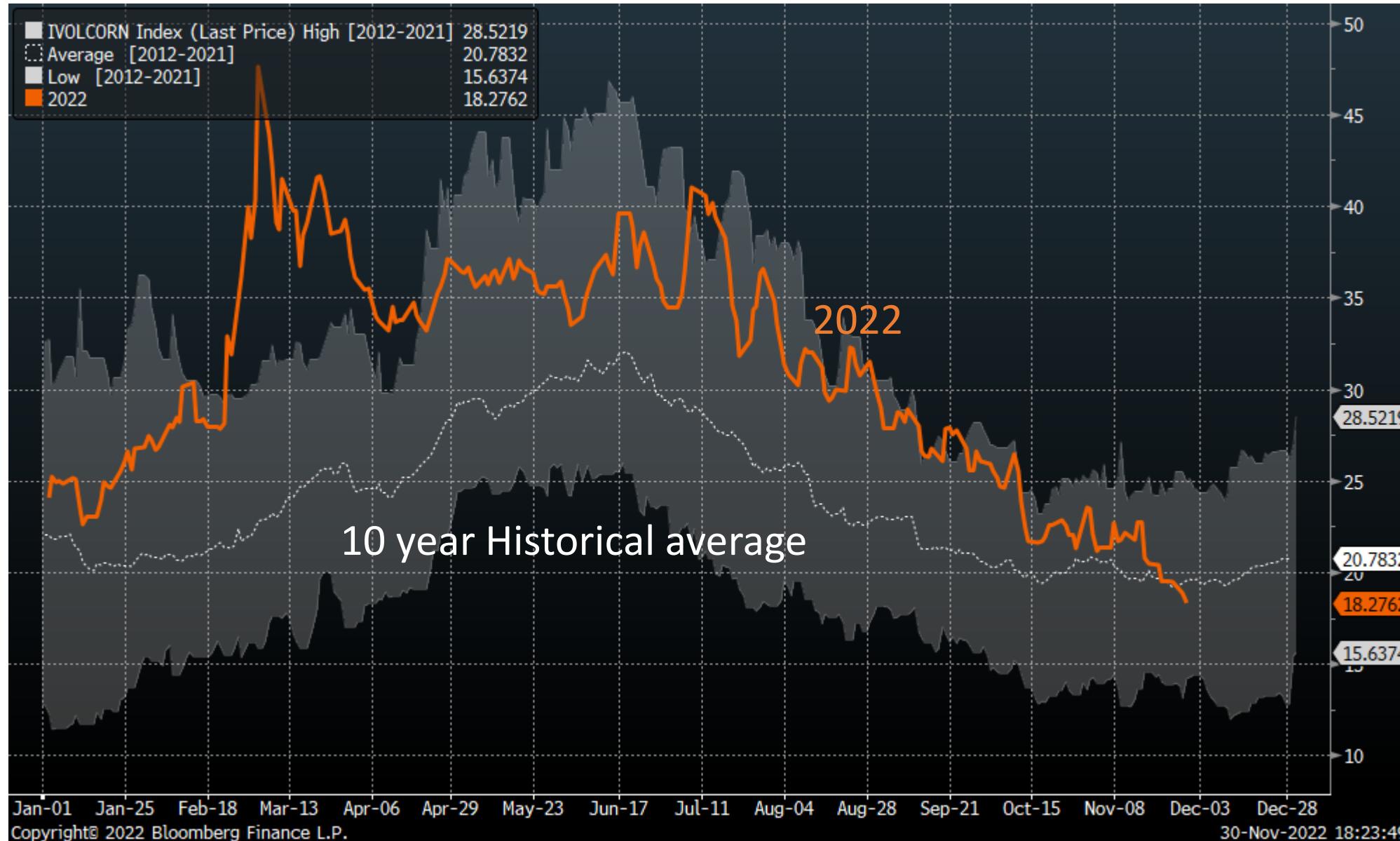
# Fertilizer Spot Prices, % change YTD



# Wheat Implied Volatility



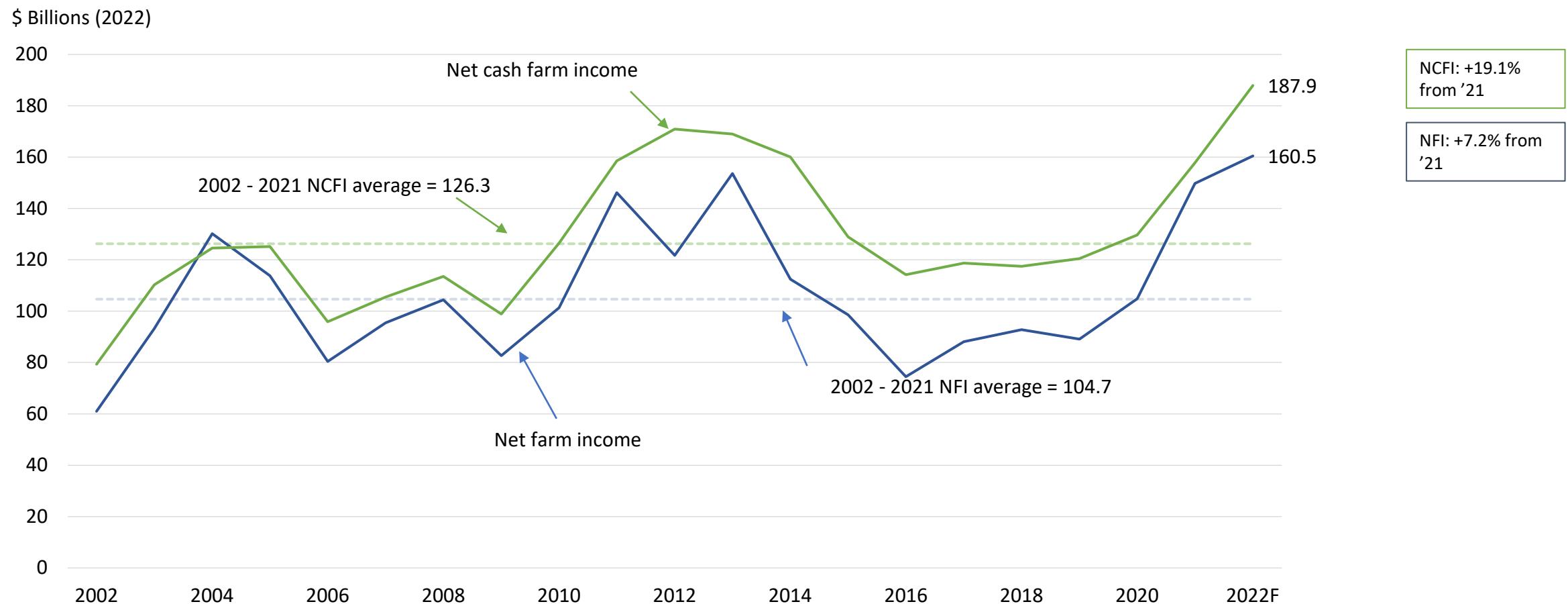
# Corn Implied Volatility



# Soybean Implied Volatility



# Farm sector profit forecasts at record highs in 2022

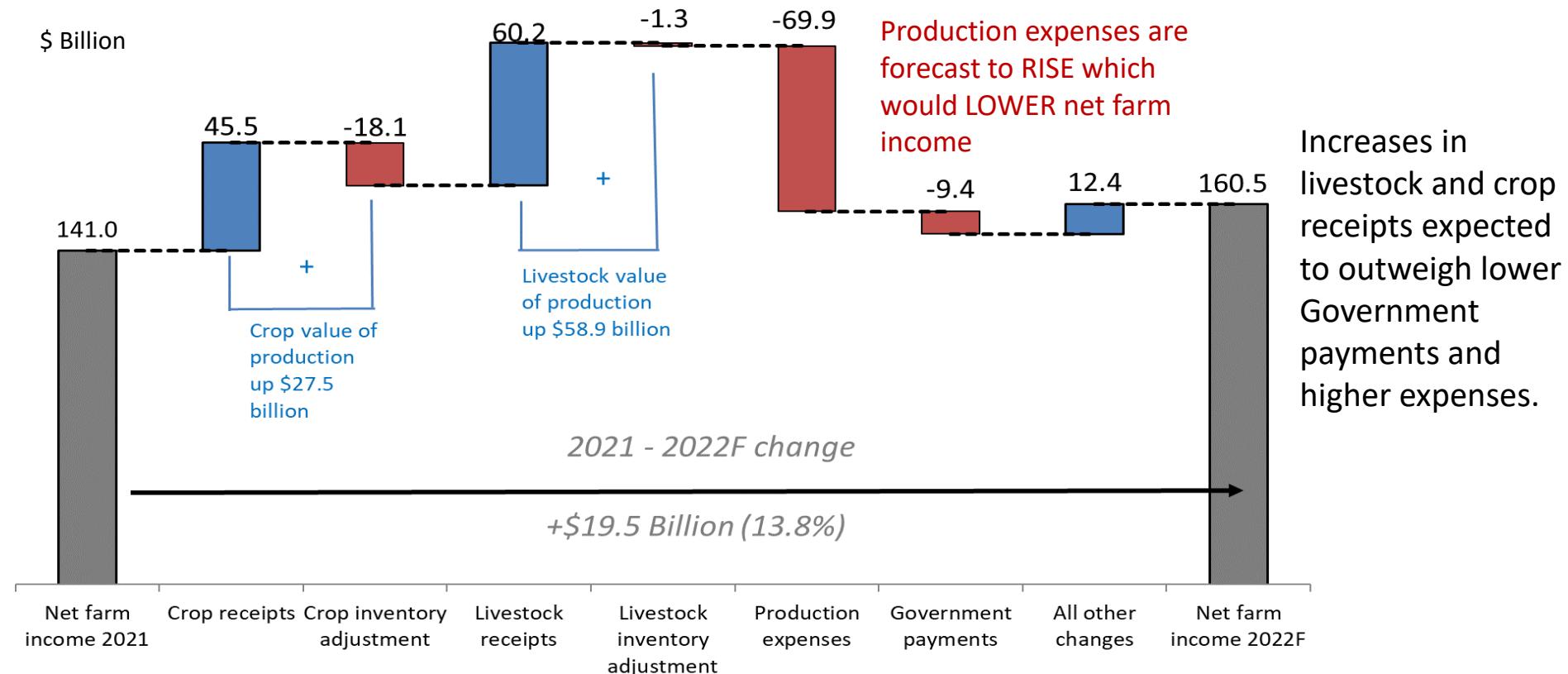


F= Forecast. Values are adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2022 by USDA, Economic Research Service.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

Data as of December 1, 2022.

# Large increases in receipts and expenses forecast for 2022

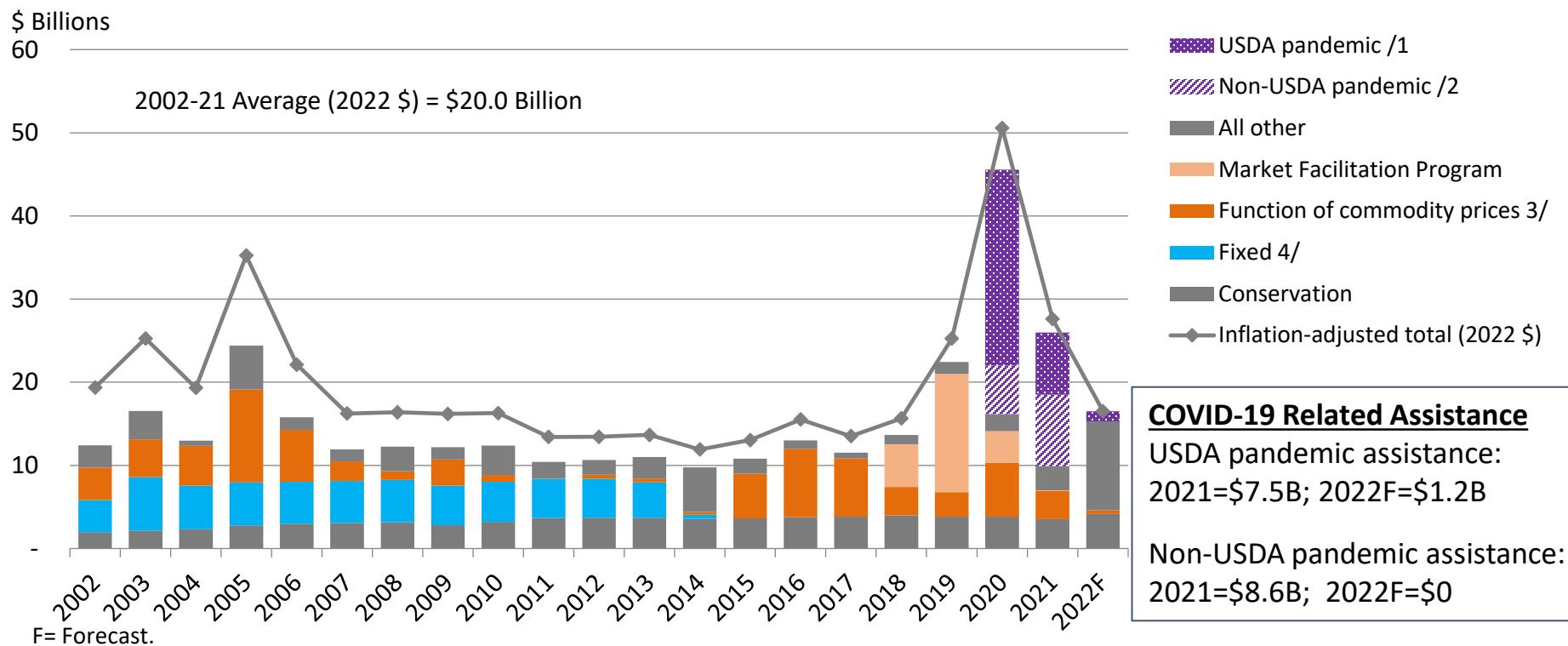


F= Forecast. Component changes may not sum to total because of rounding.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

Data as of December 1, 2022.

# Total direct Government payments to farmers expected to decline in 2022



1/ Includes payments from the Coronavirus Food Assistance Program and other USDA pandemic assistance for producers.

2/ Includes loans from the Small Business Administration's Paycheck Protection Program.

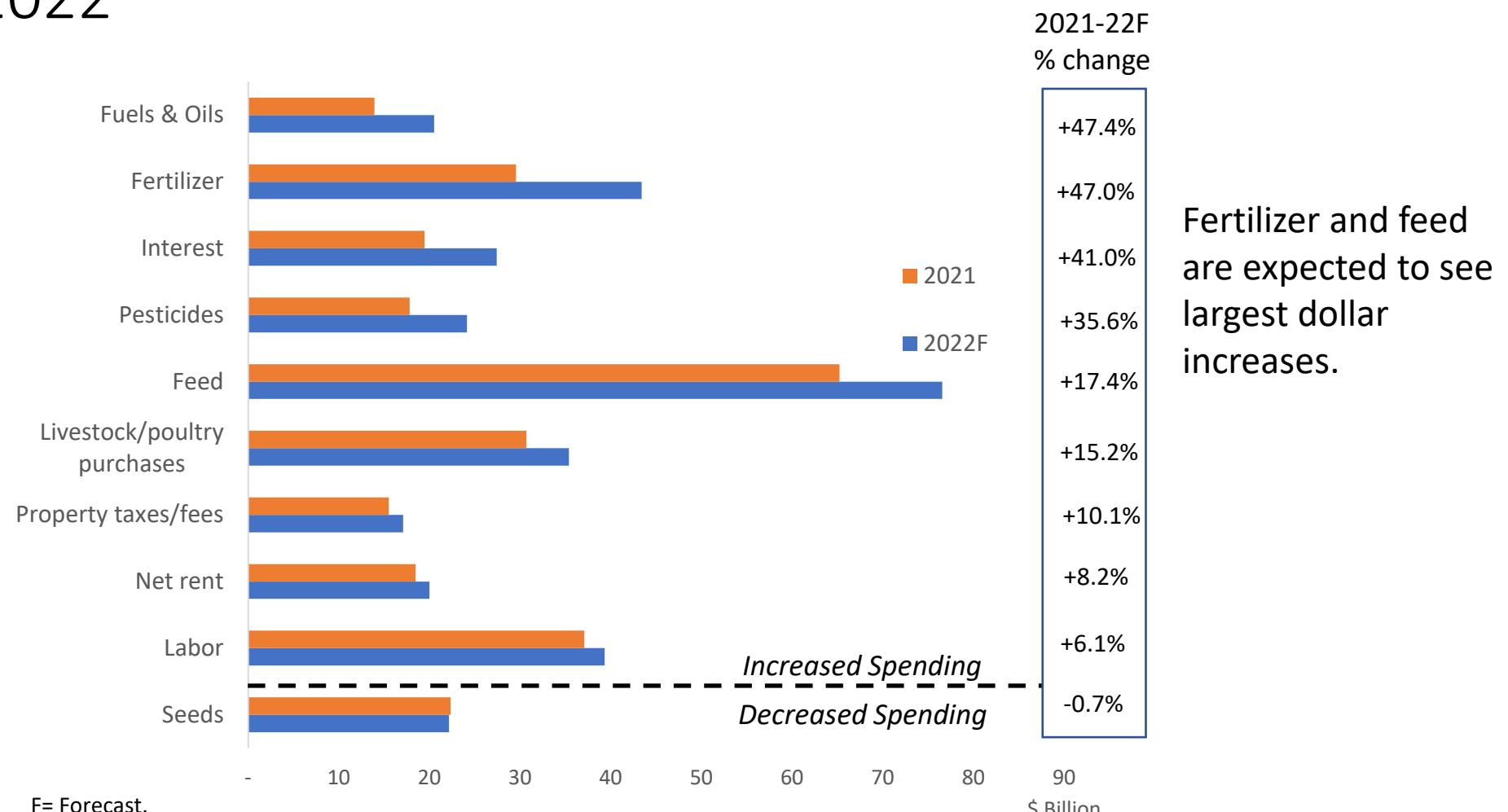
3/ Includes counter-cyclical payments, average crop revenue election (ACRE) payments, loan deficiency payments, marketing loan gains, certificate exchange gains, Price Loss Coverage (PLC), Agriculture Risk Coverage (ARC), and dairy payments in which commodity payment rates vary with market prices.

4/ Fixed payments are through 2013 and cotton transition payments in 2014 whereby payment rates are fixed by legislation.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics (using data from FSA, NRCS, APHIS, CCC, SBA)

Data as of December 1, 2022.

# Almost all individual expense items forecast to increase in 2022

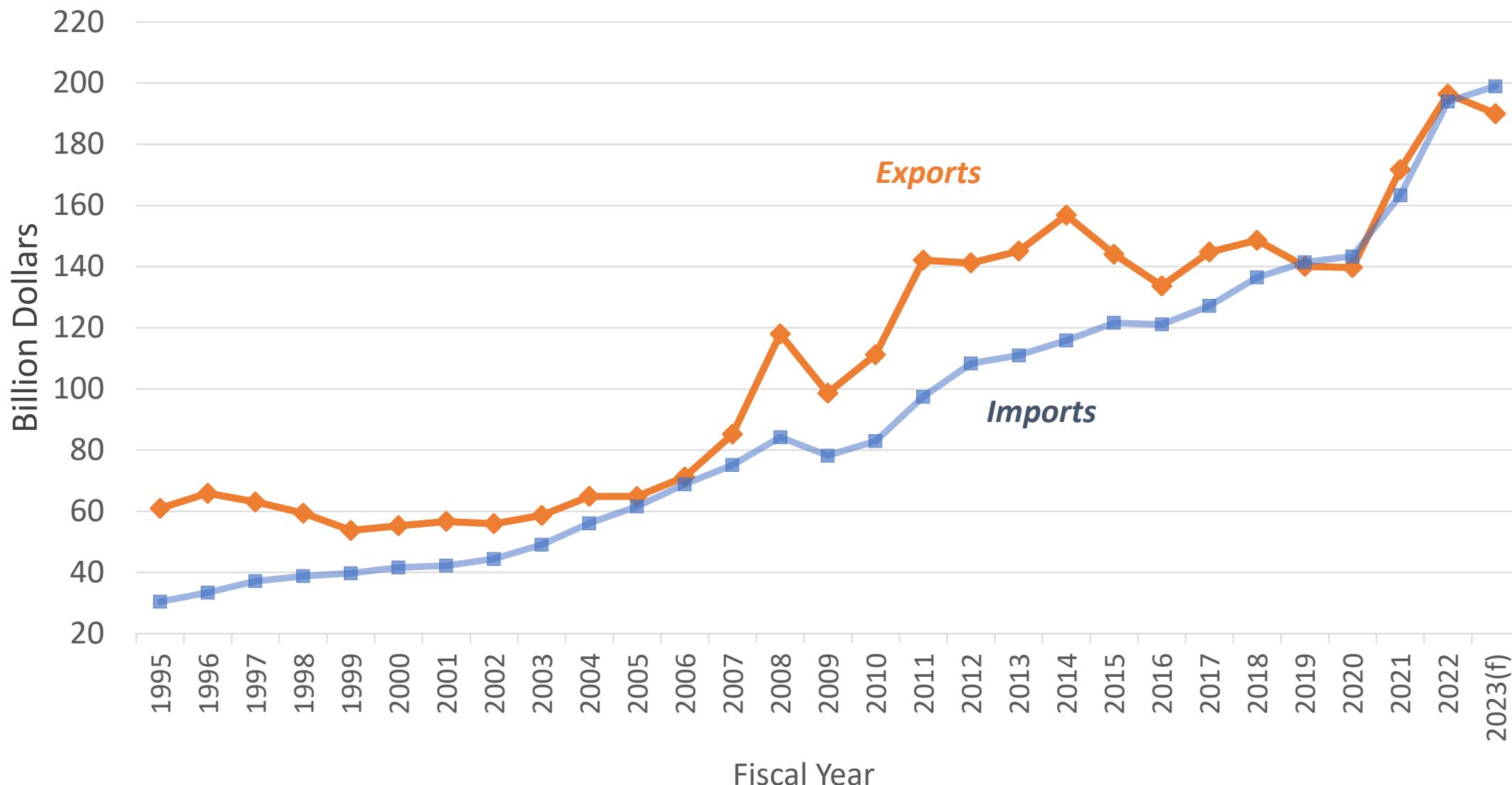


Source: USDA, Economic Research Service, Farm Income and Wealth Statistics  
Data as of December 1, 2022

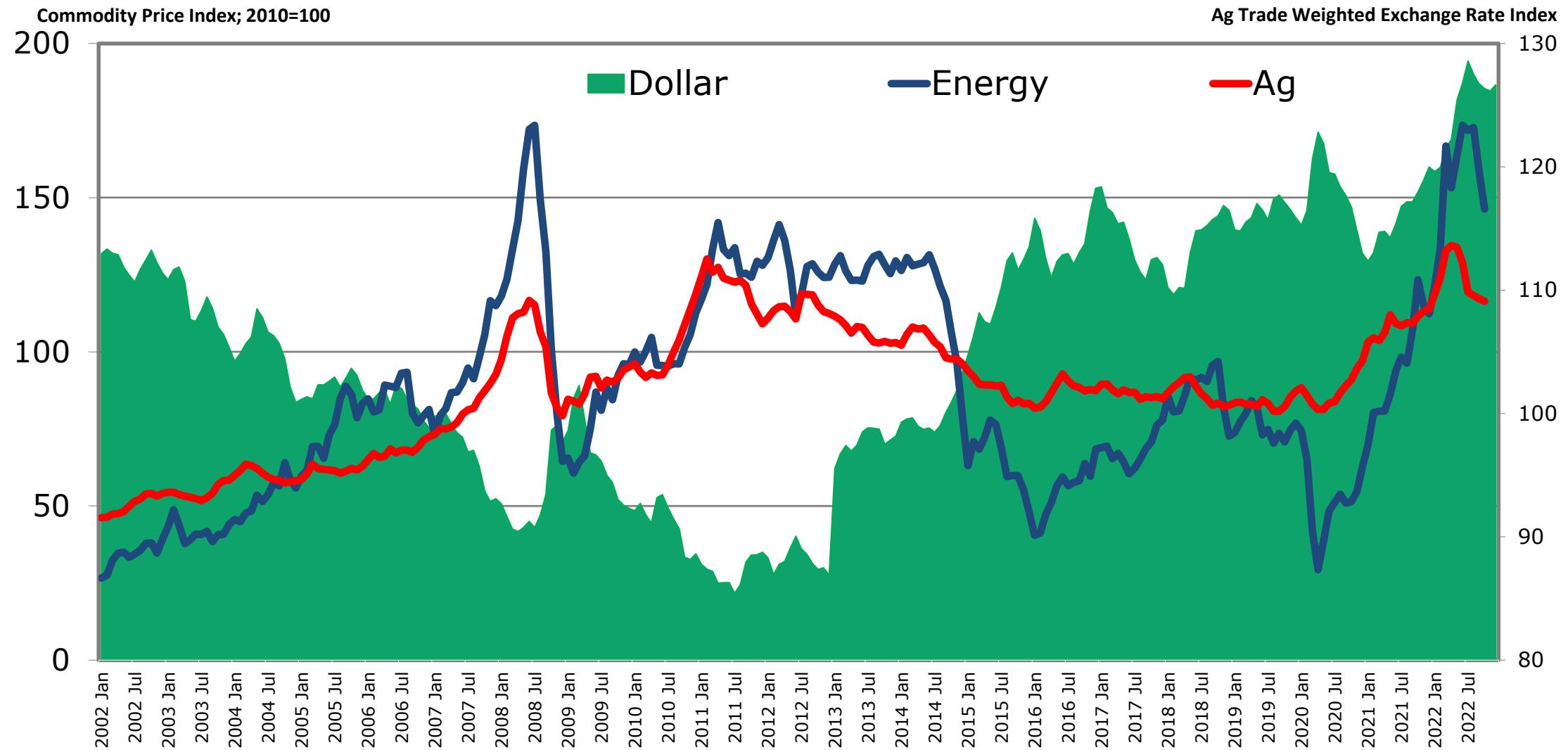
Fertilizer and feed are expected to see largest dollar increases.

# U.S. Agricultural Trade Situation

Exports at \$190.0 Billion; Imports at \$199.0 Billion

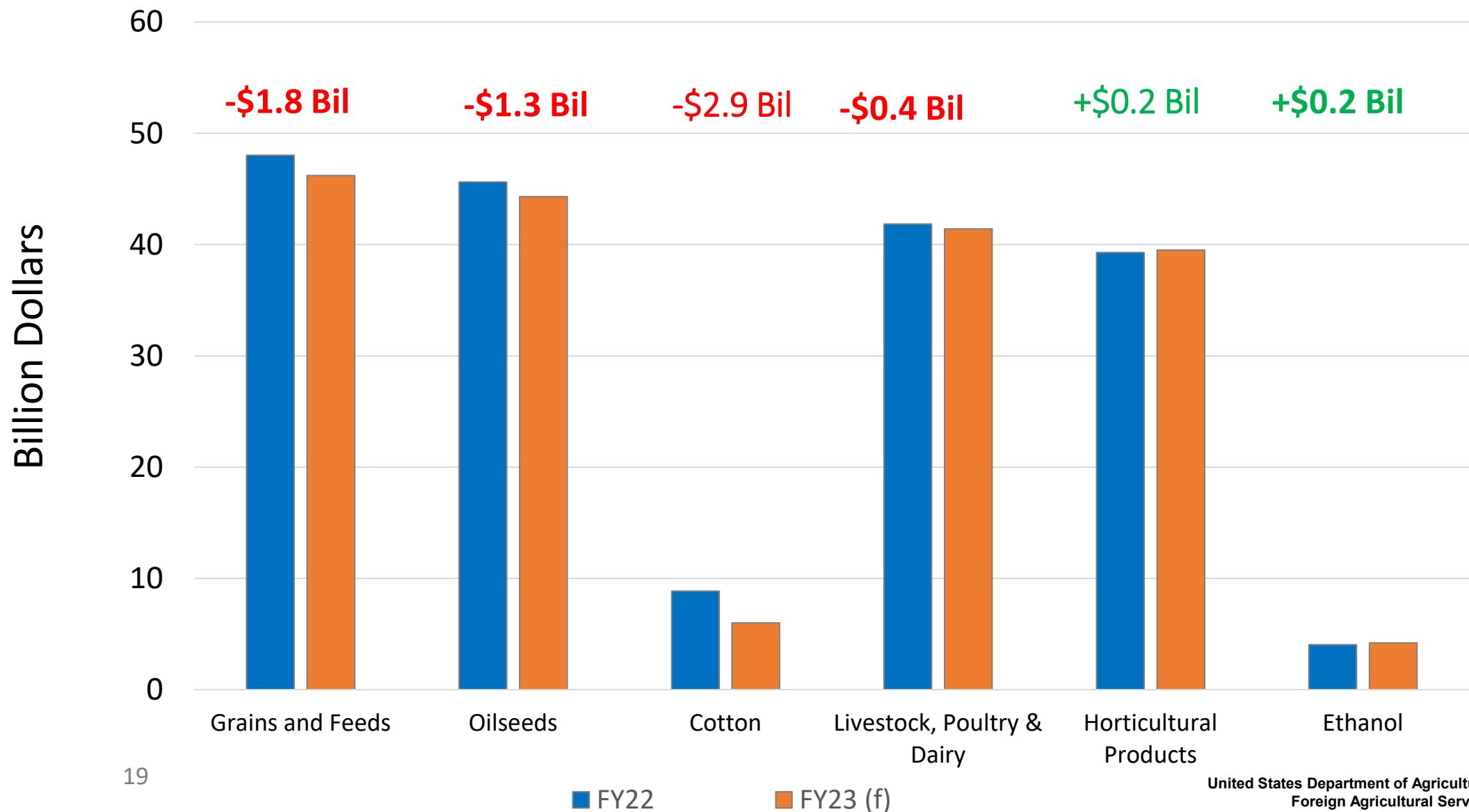


# Strength of the Dollar and Commodity Prices

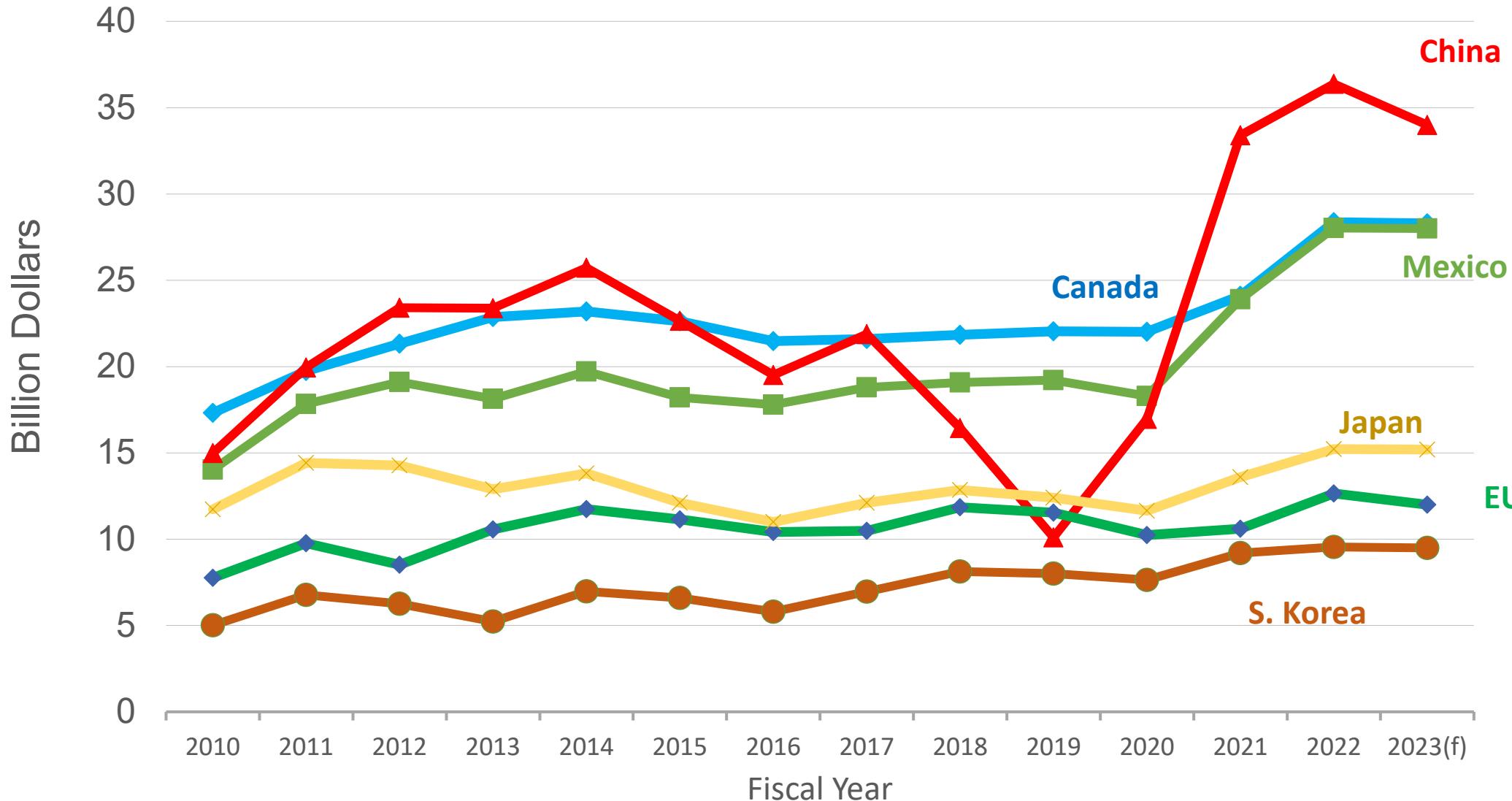


Source: Commodity Price Indices: World Bank; Exchange rate: USDA ERS

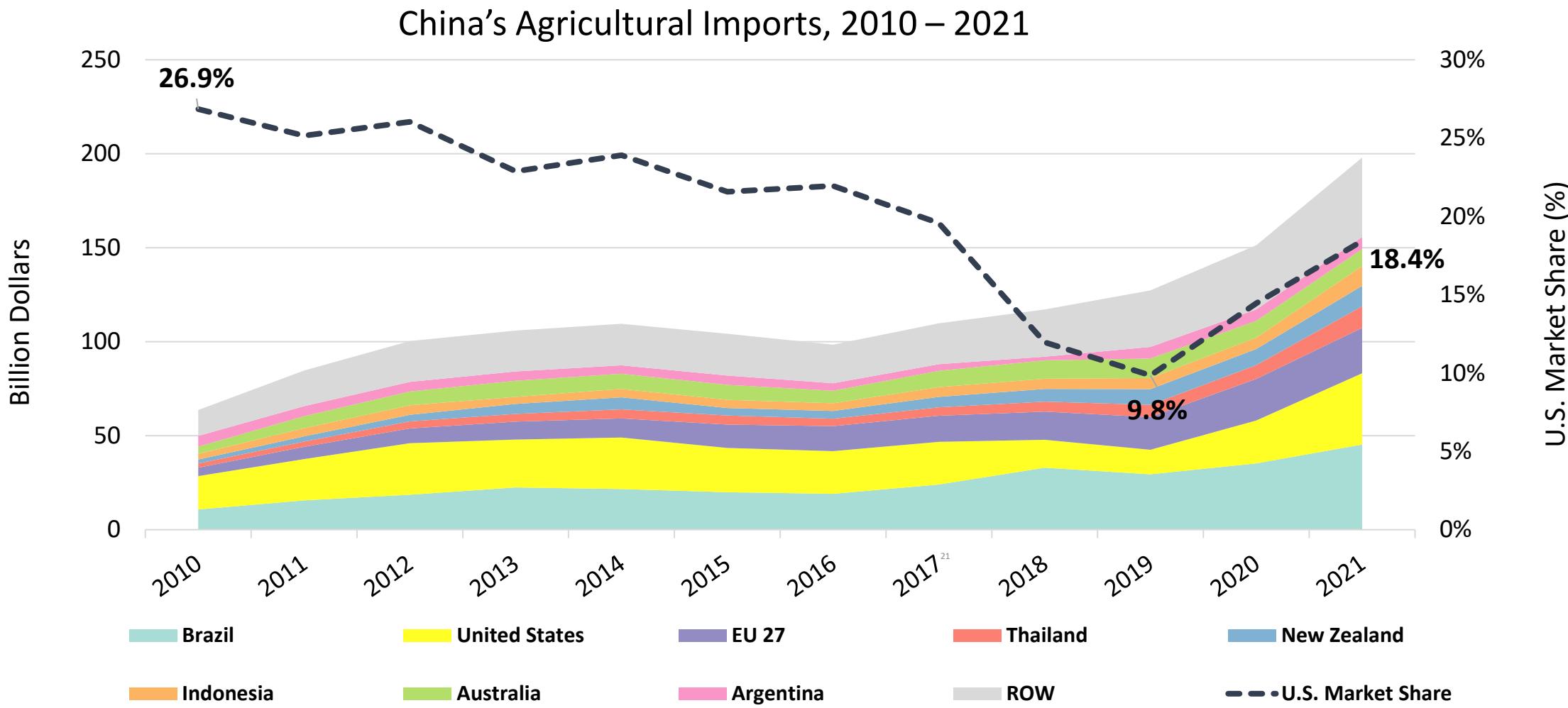
# Ag Exports: FY 23 vs. FY 22



# Top U.S. Ag Markets

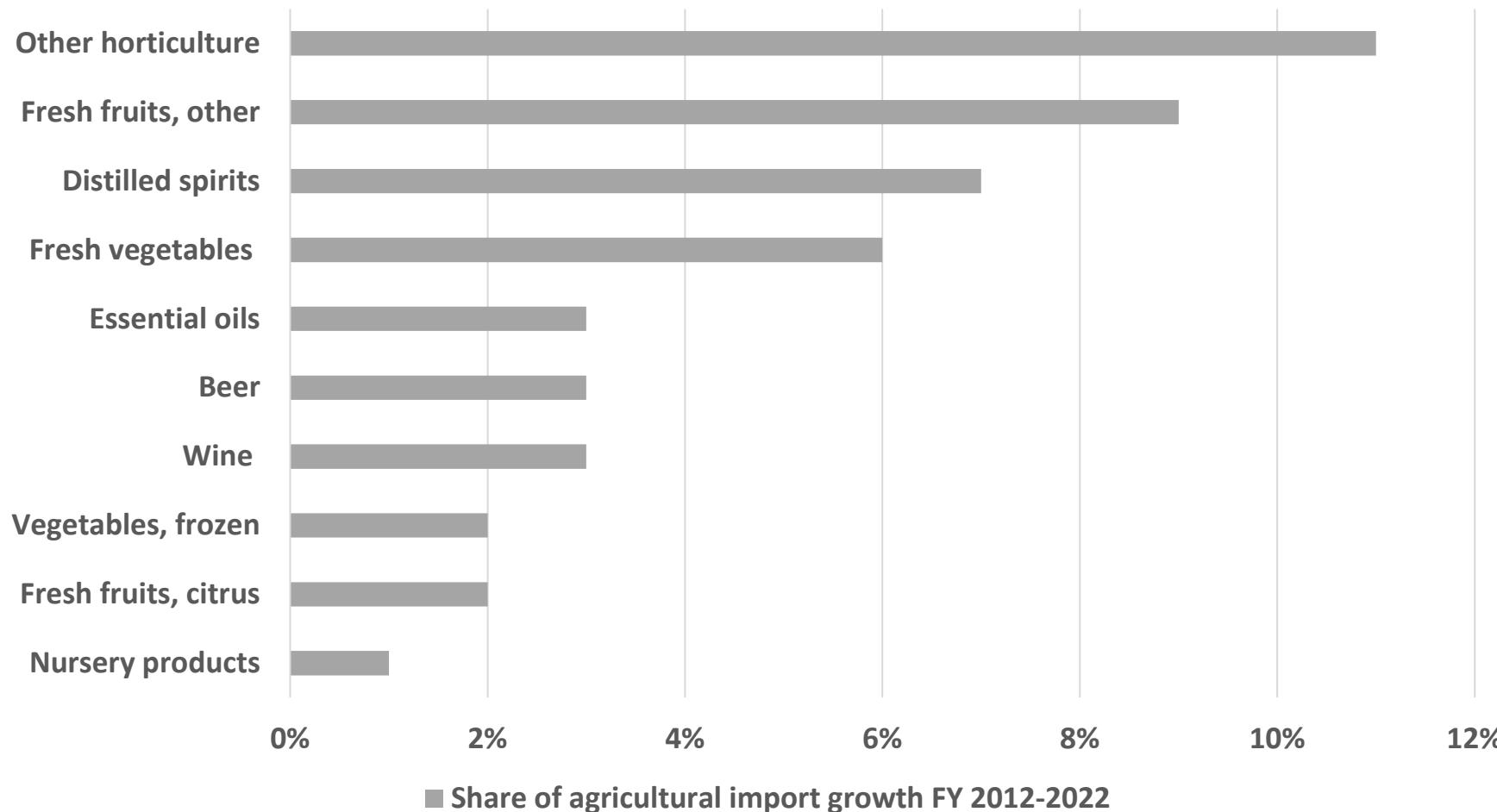


# U.S. Market Share in China



Source: Trade Data Monitor LLC

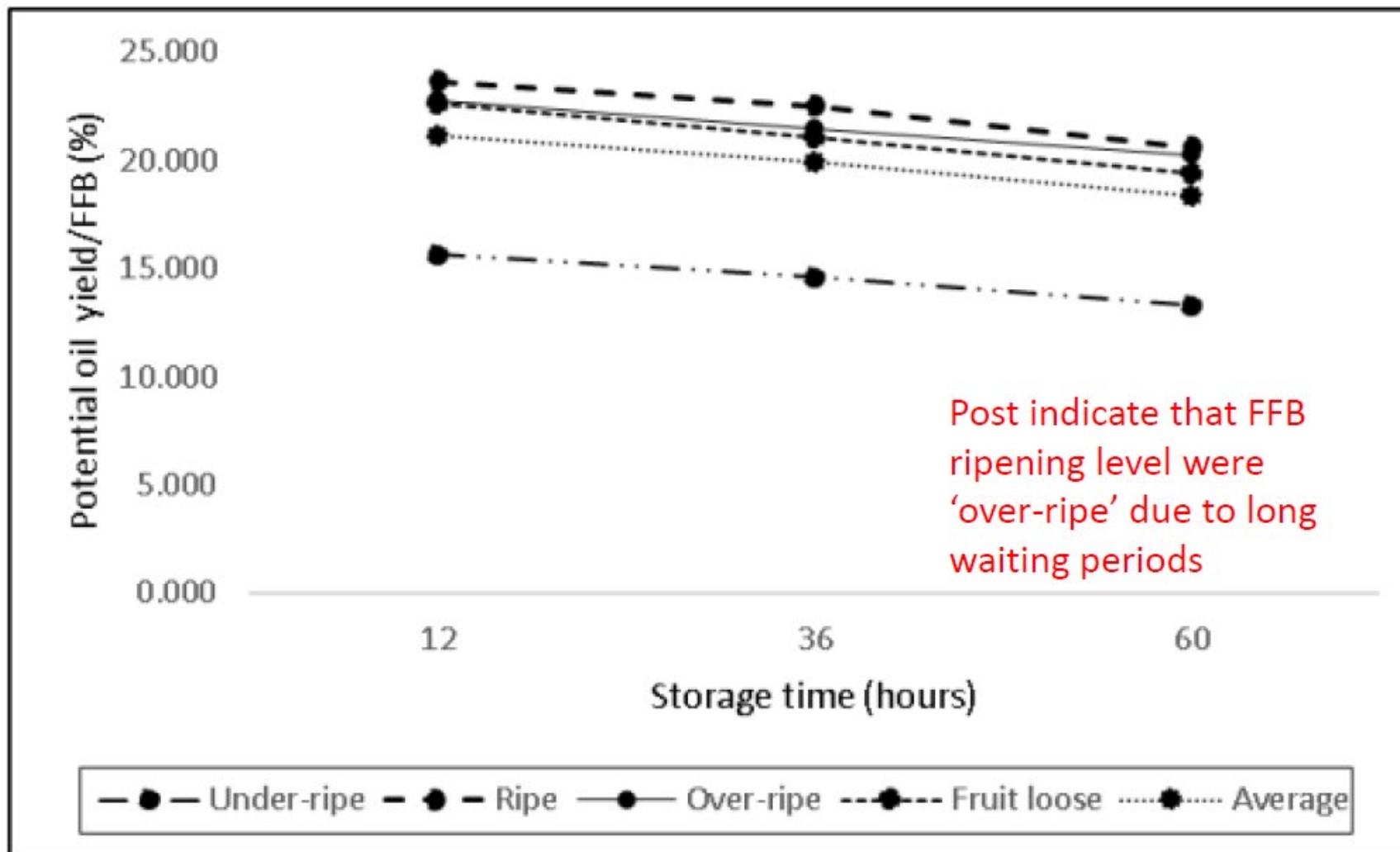
# Top contributors to import value growth



## Indonesia Export Restrictions led to Un-milled Palm Fruit



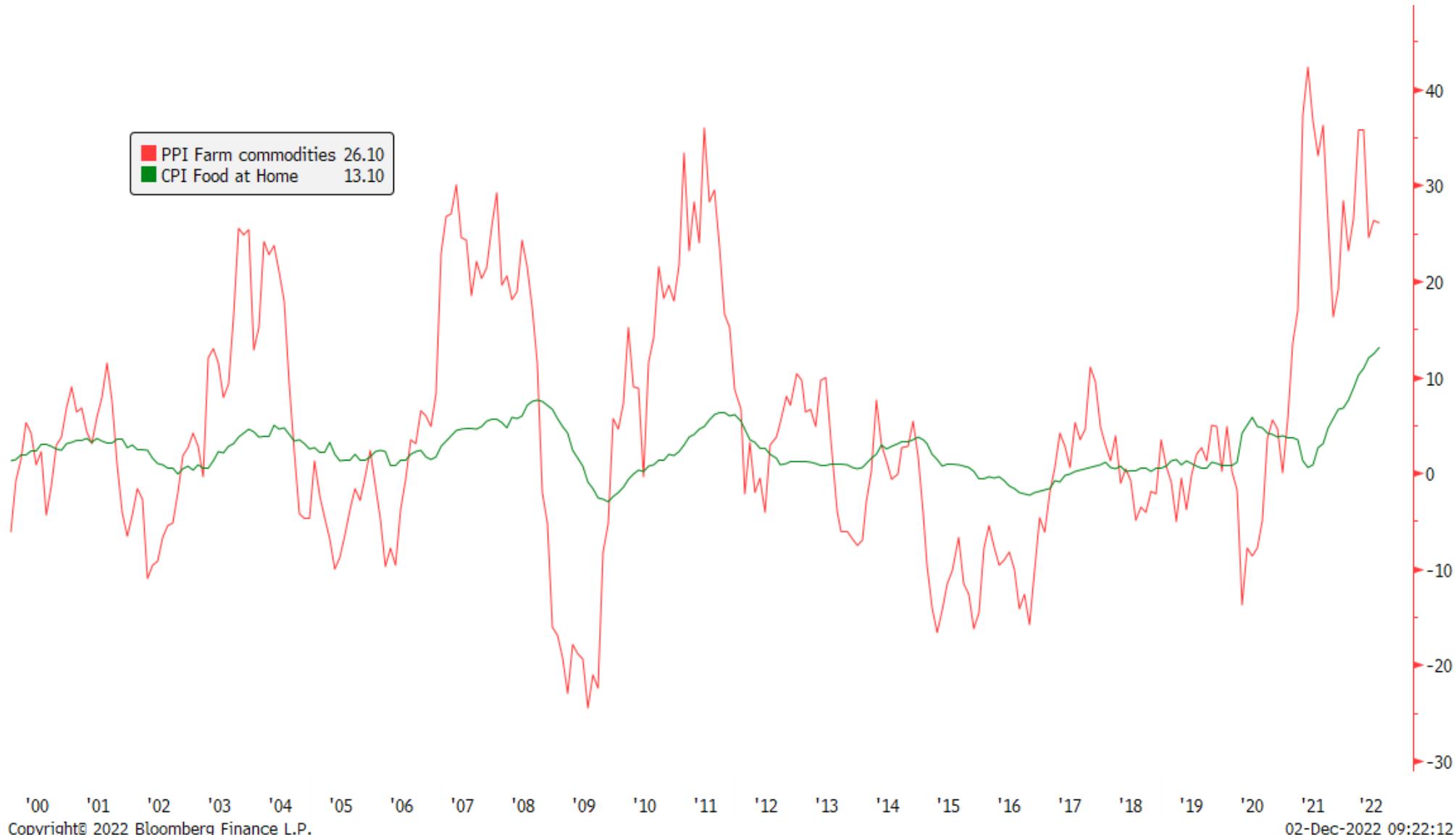
# Palm Oil Yields Decline Rapidly After Harvest



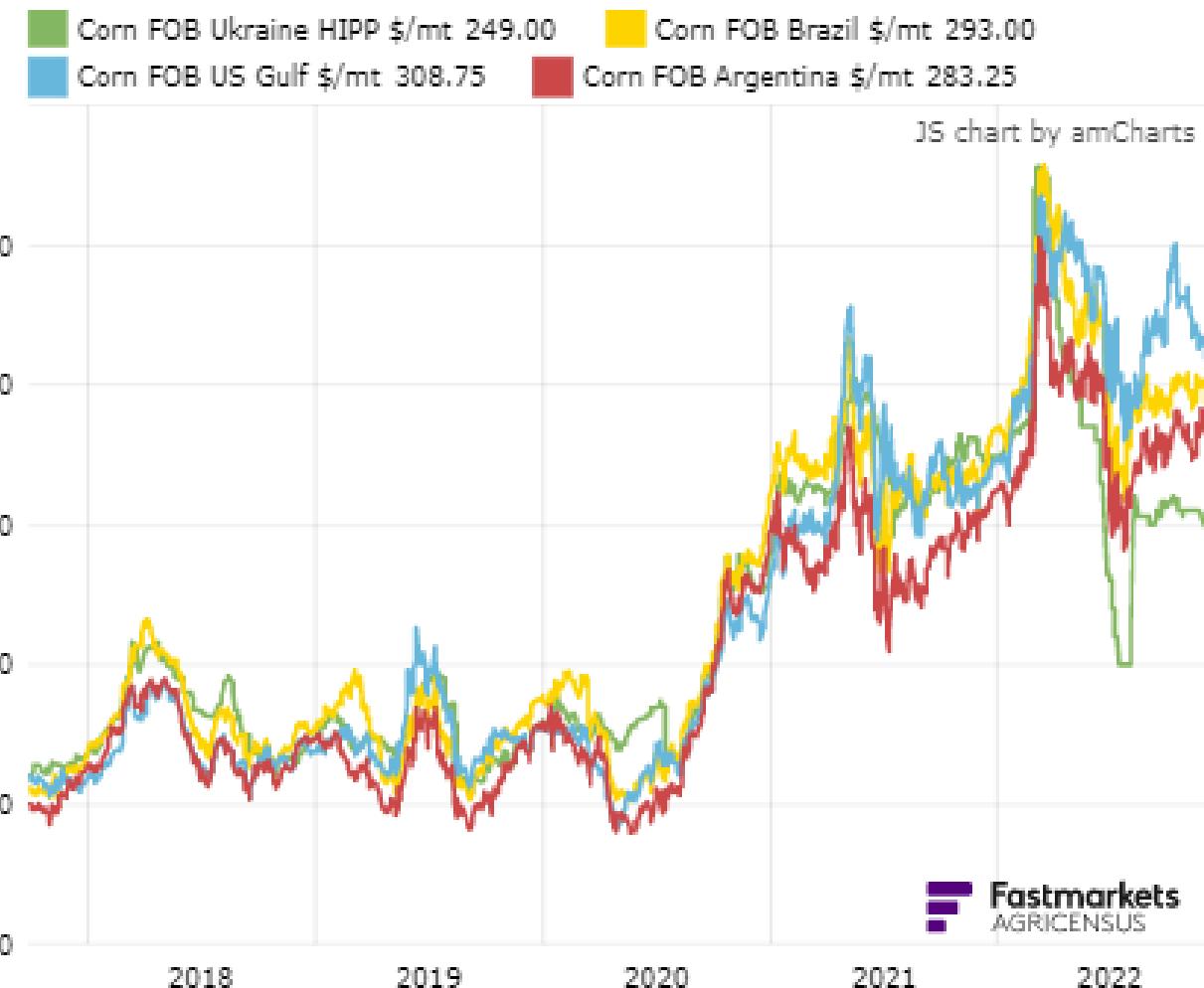
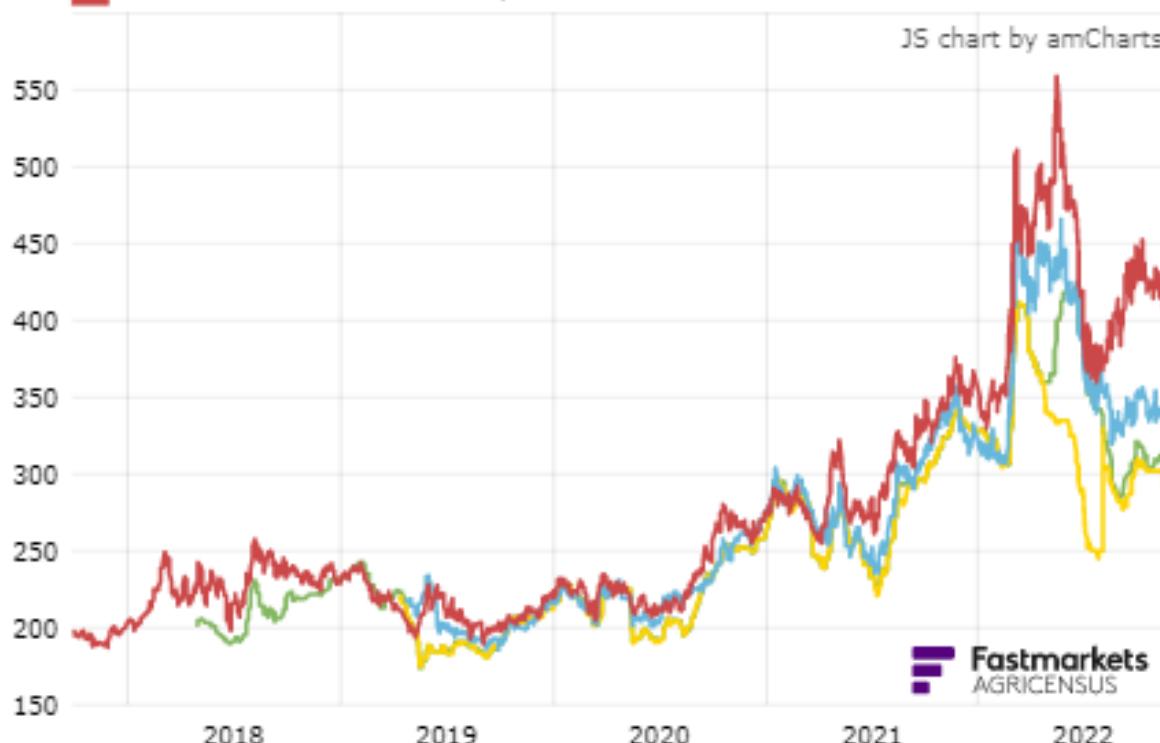
**Figure 1.** Relationship between potential oil yields based on the percentage of FFB at the ripening level and storage time of FFB.

# Farmgate prices are far more volatile than food

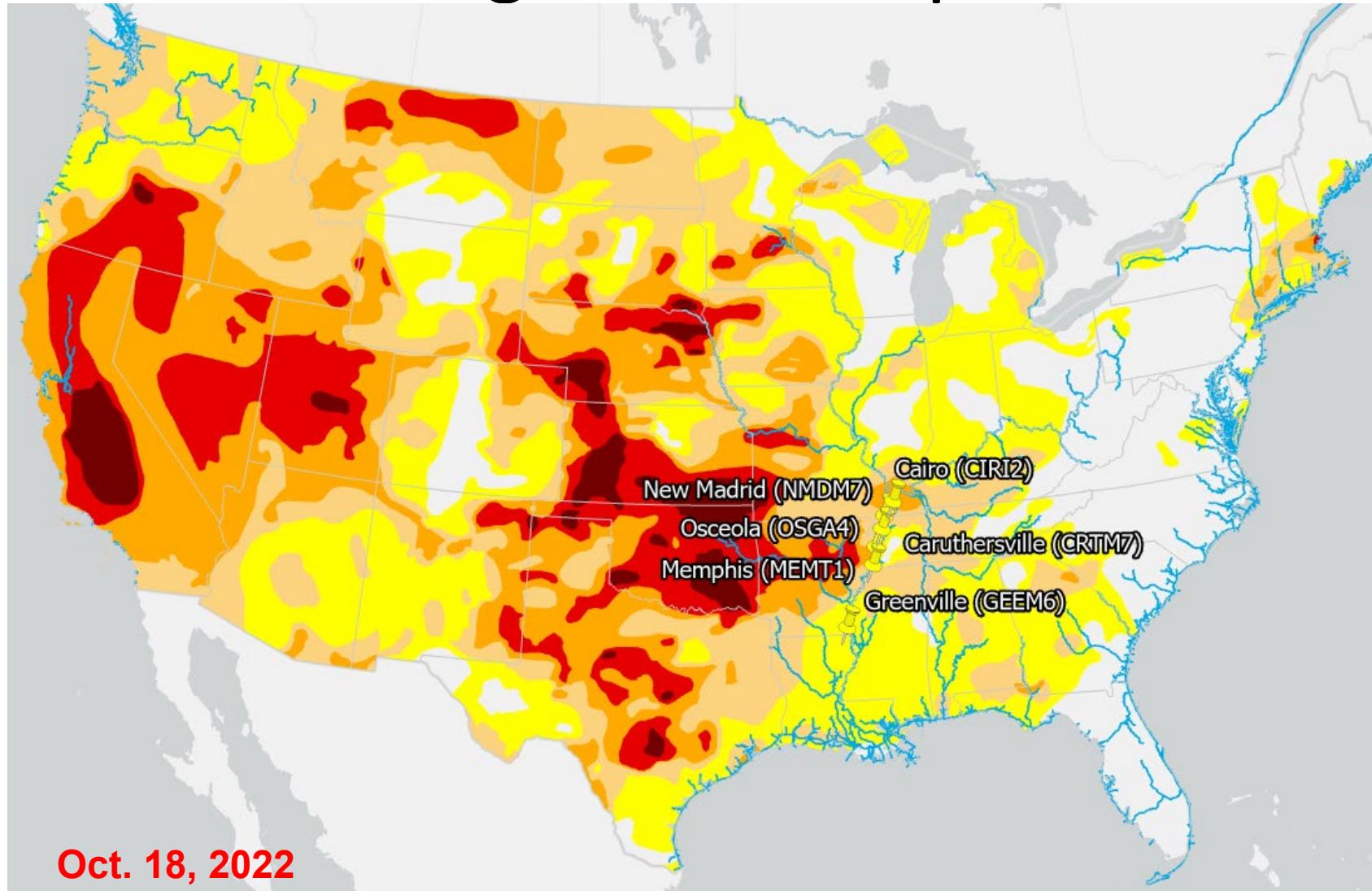
## *Farmgate prices vs food retail prices, y-o-y %*



Wheat FOB Russia 11.5% \$/mt 311.00  
Wheat FOB Ukraine 11.5% \$/mt 286.00  
Wheat FOB France 11.5% \$/mt 338.50  
Wheat FOB US Gulf HRW 11% \$/mt 392.75

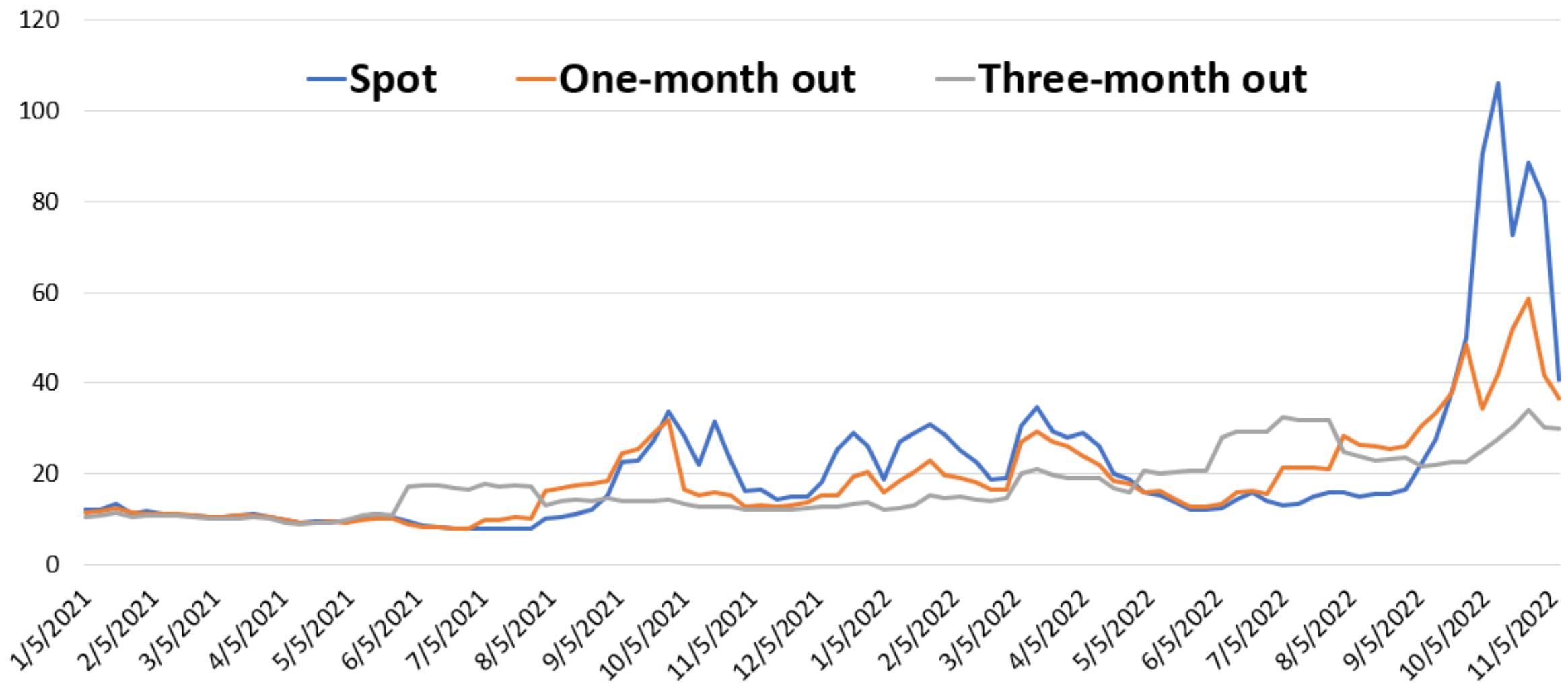


# Record Low Water Levels Along the Mississippi, A key route for US agricultural exports

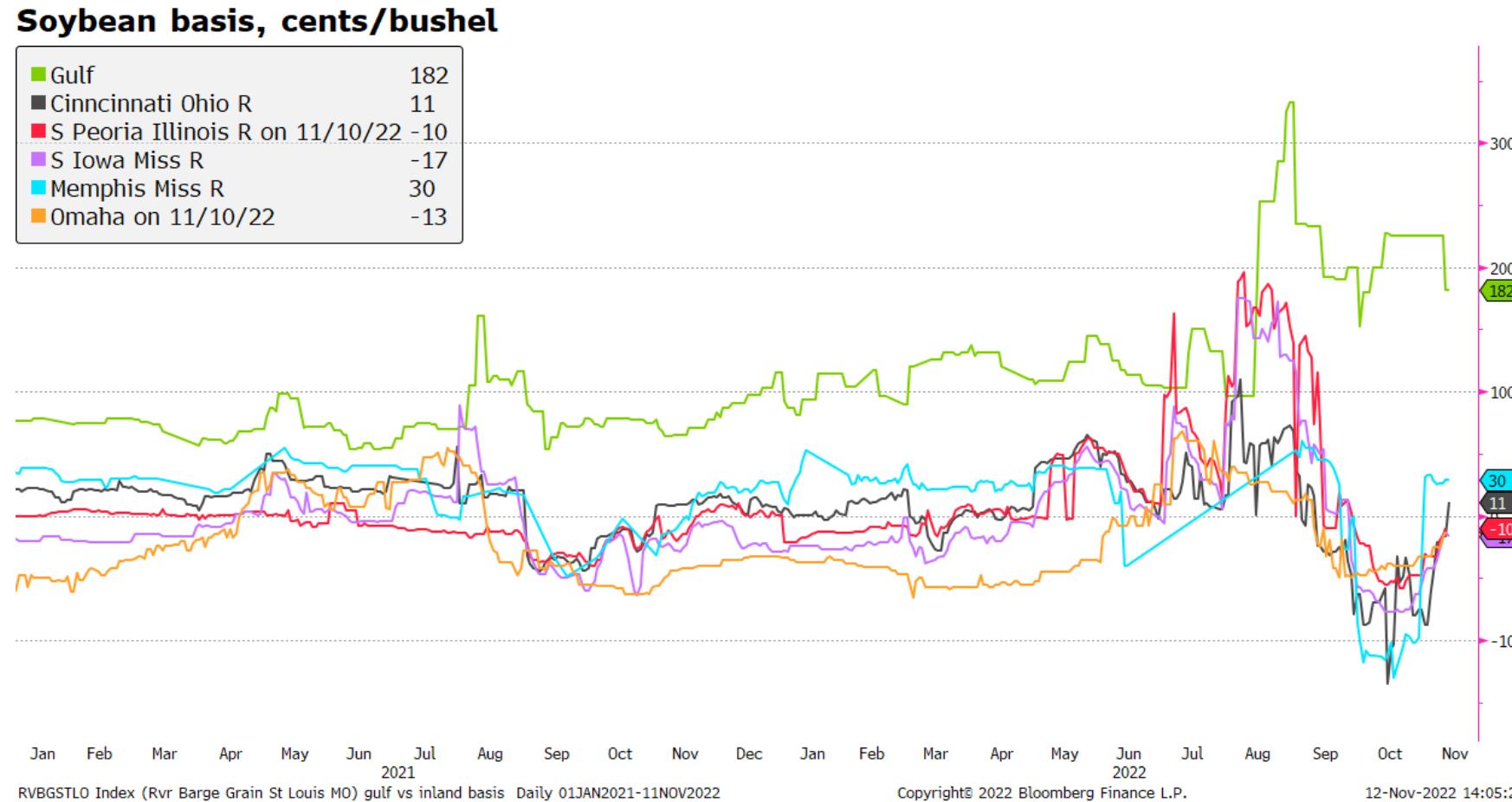


# Mississippi Barge rates have pulled back last week from record highs

## Mississippi Barge Rates (St. Louis), \$/MT



# Soybean basis in interior markets have deteriorated; gulf basis premiums surge

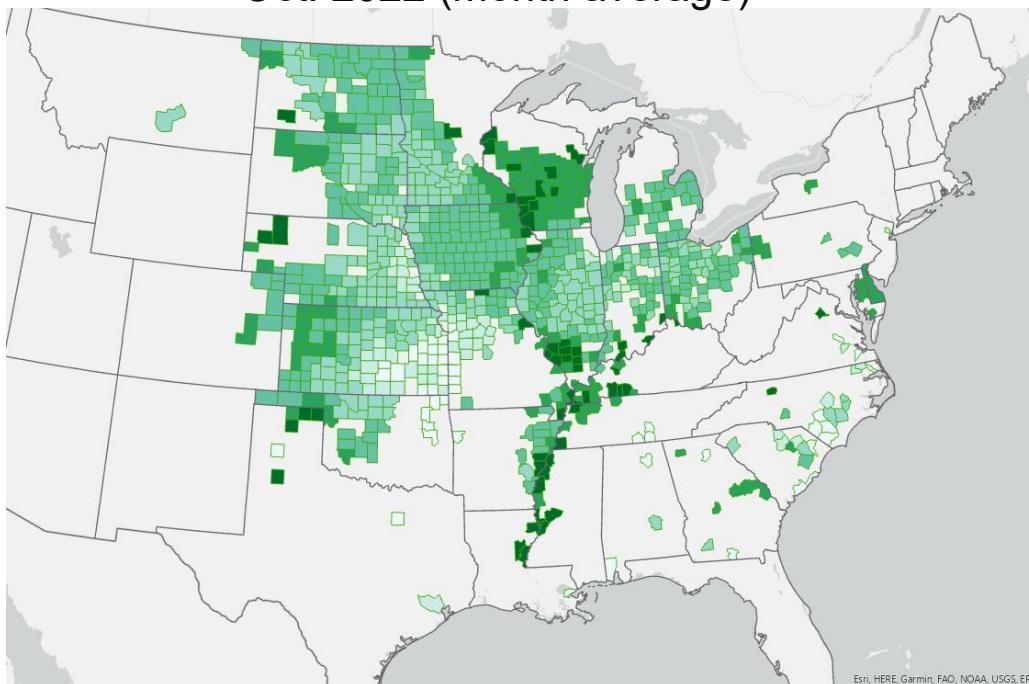


Basis = average soybean price – Gulf export price, cents/bu

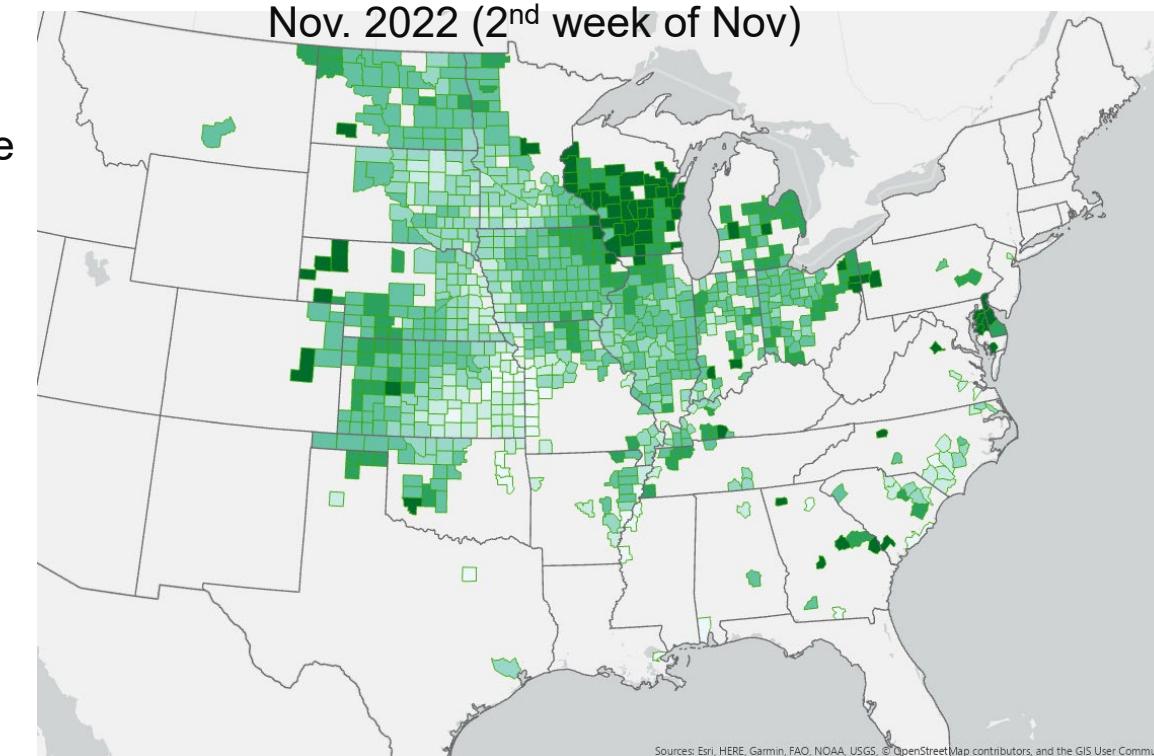
# Interior soybean prices suffering severe discount relative to Gulf; however, basis has improved through November

## Difference between Gulf Price and Inland Price

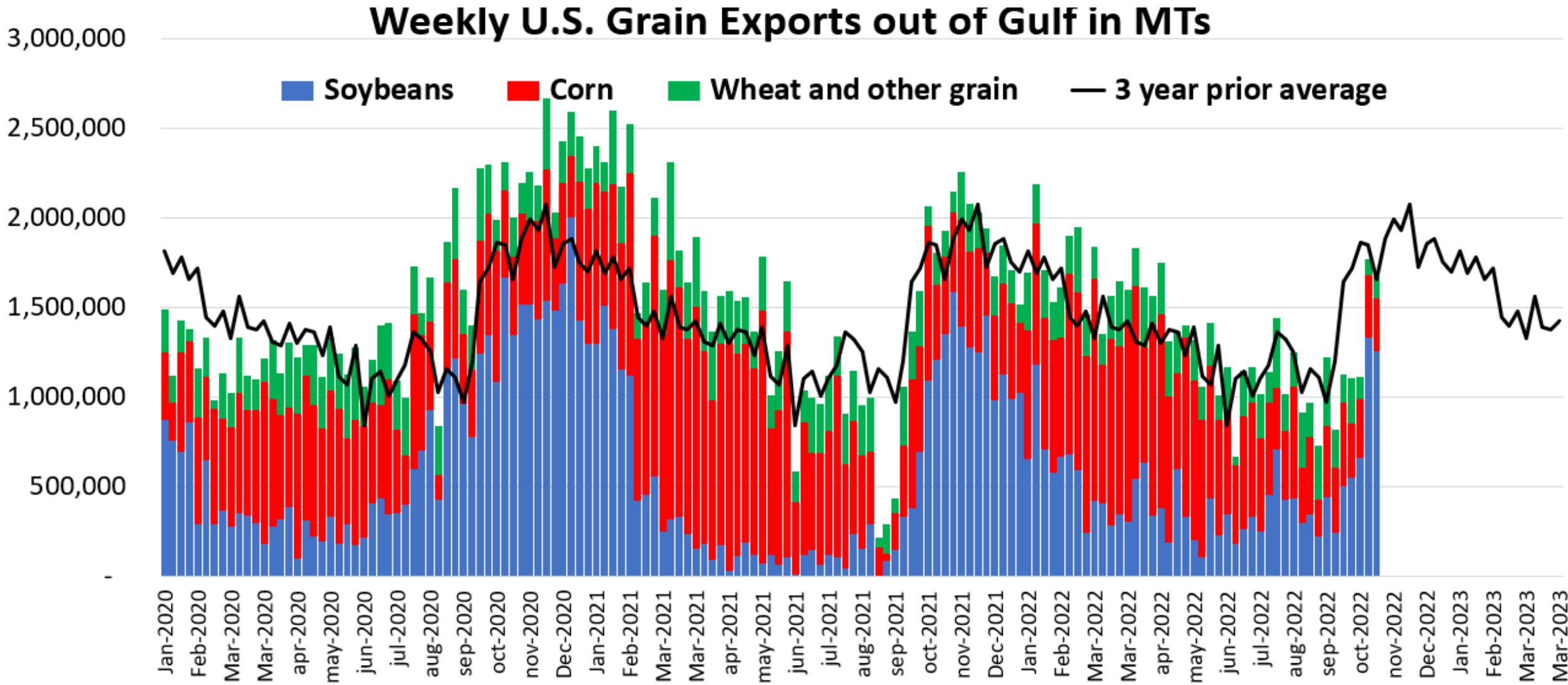
Oct. 2022 (month average)



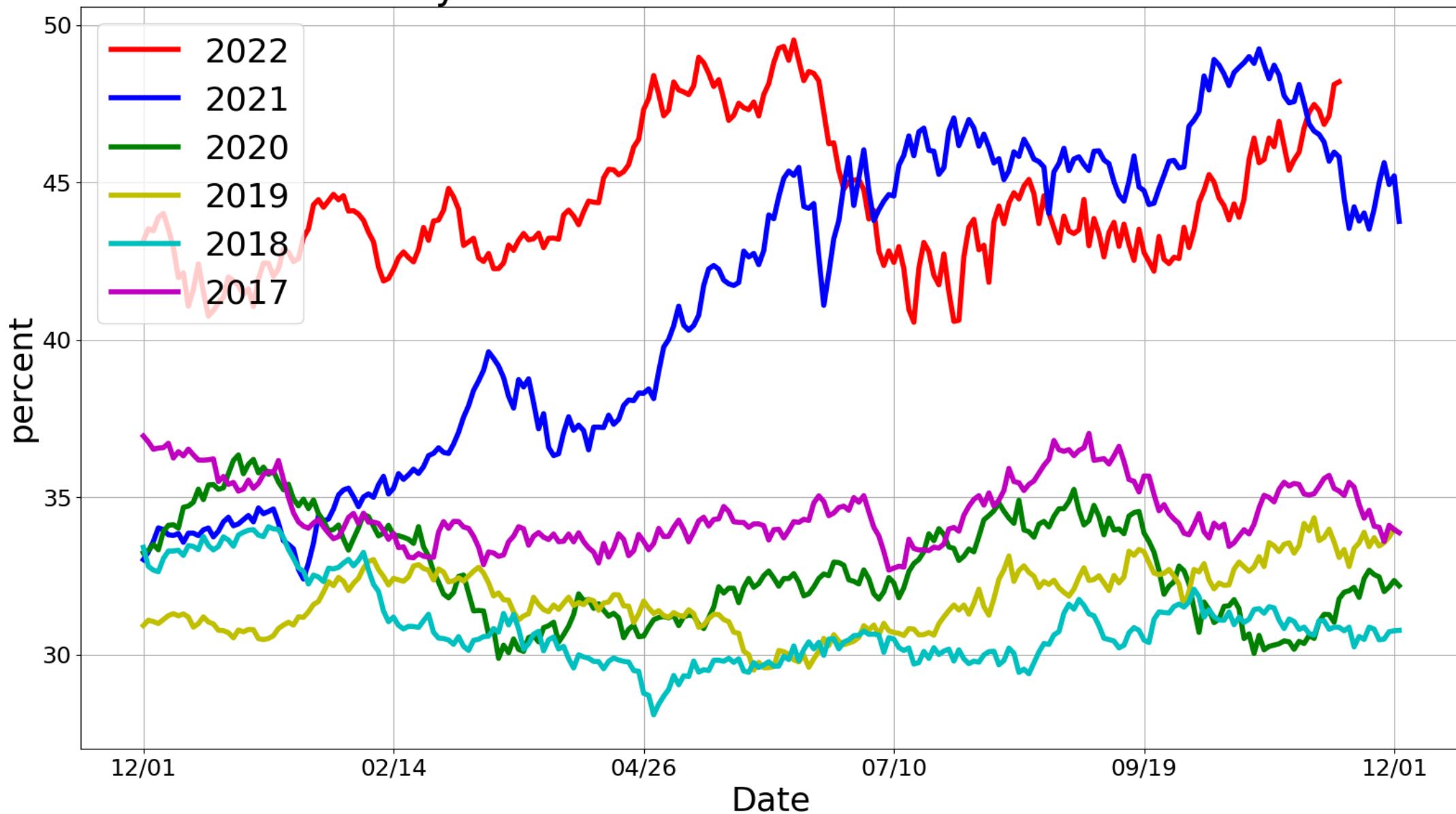
Nov. 2022 (2<sup>nd</sup> week of Nov)



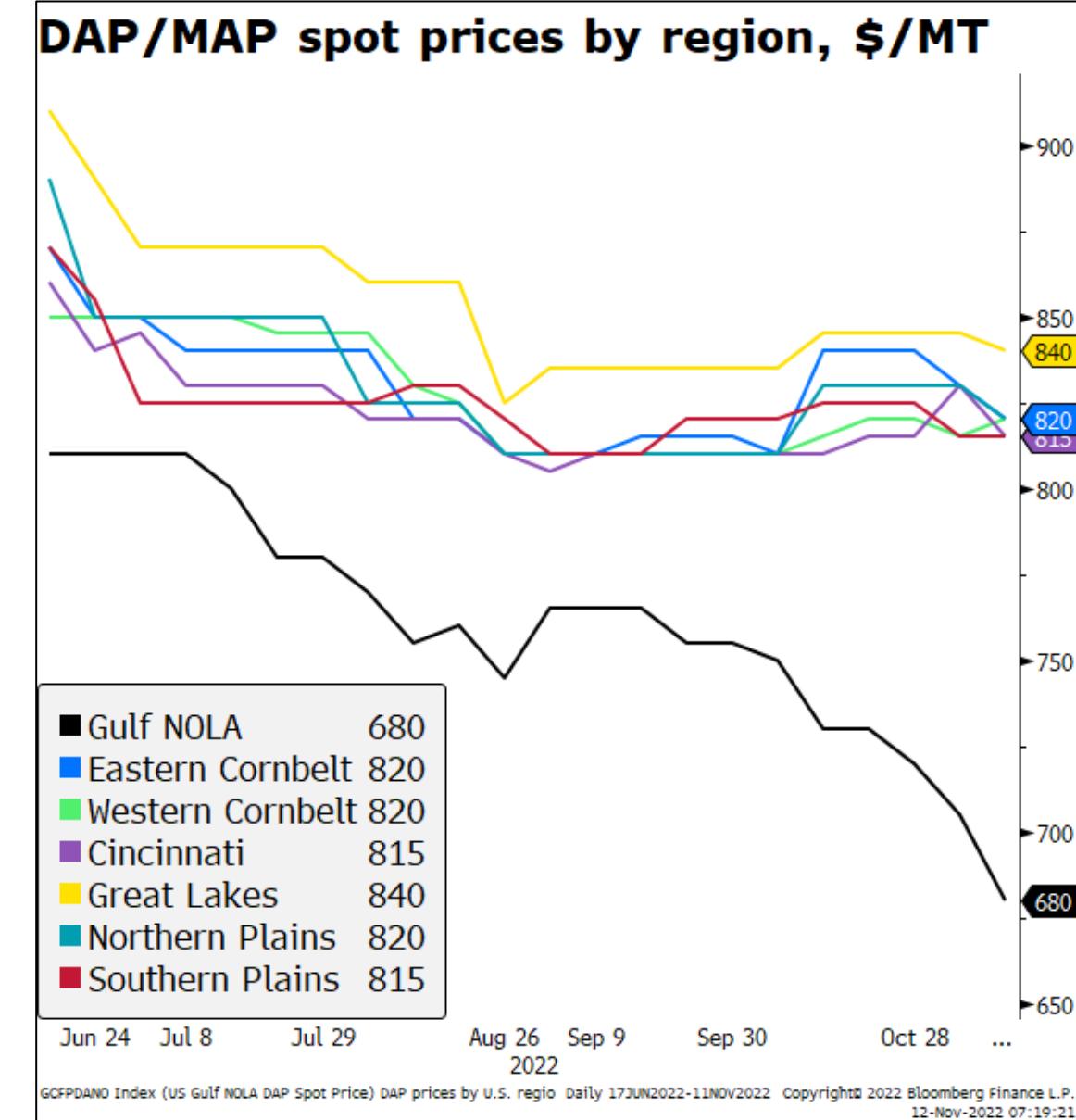
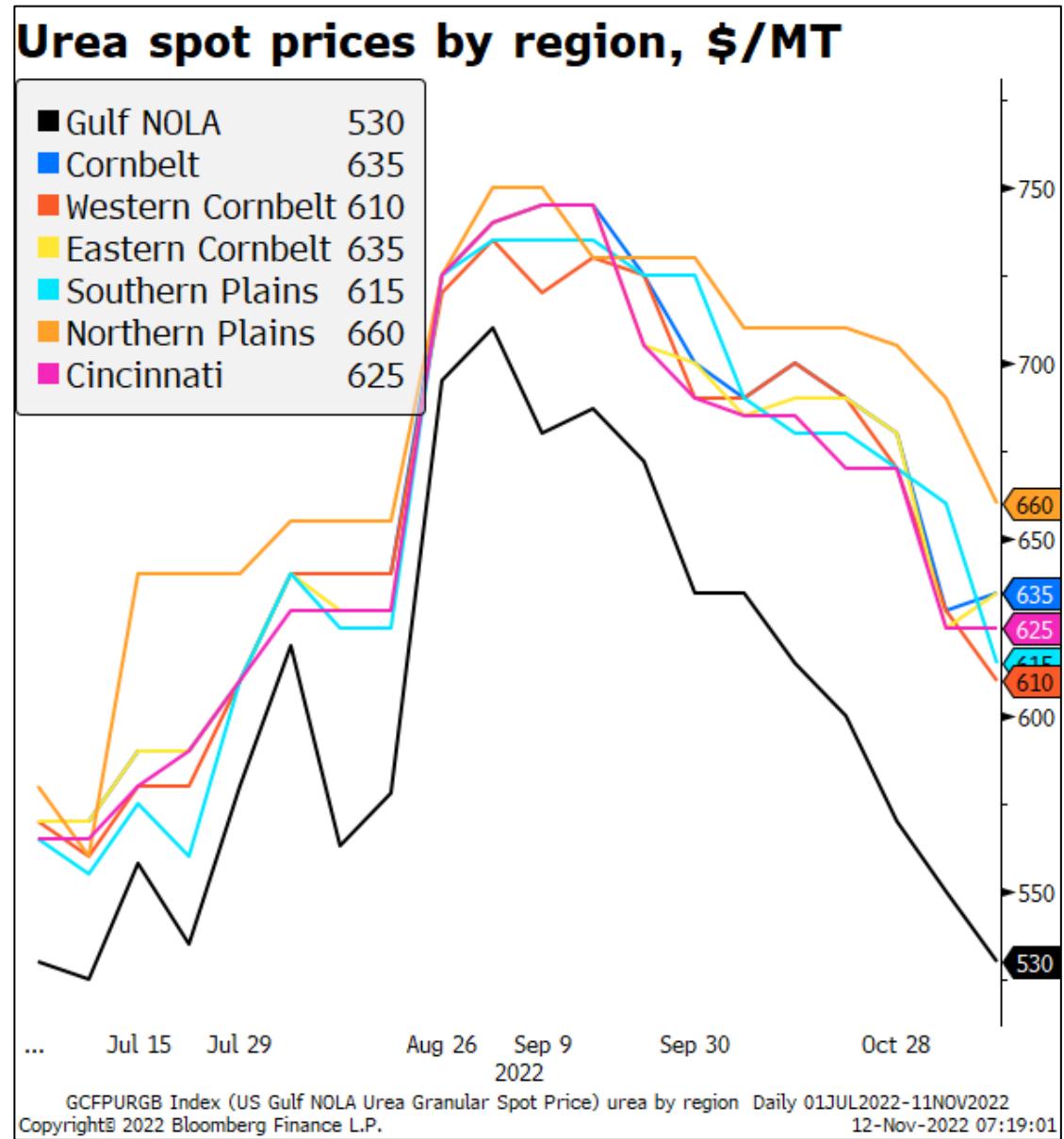
# Slower pace of grain exports shipped out the gulf; critical time of year for soybean shipments



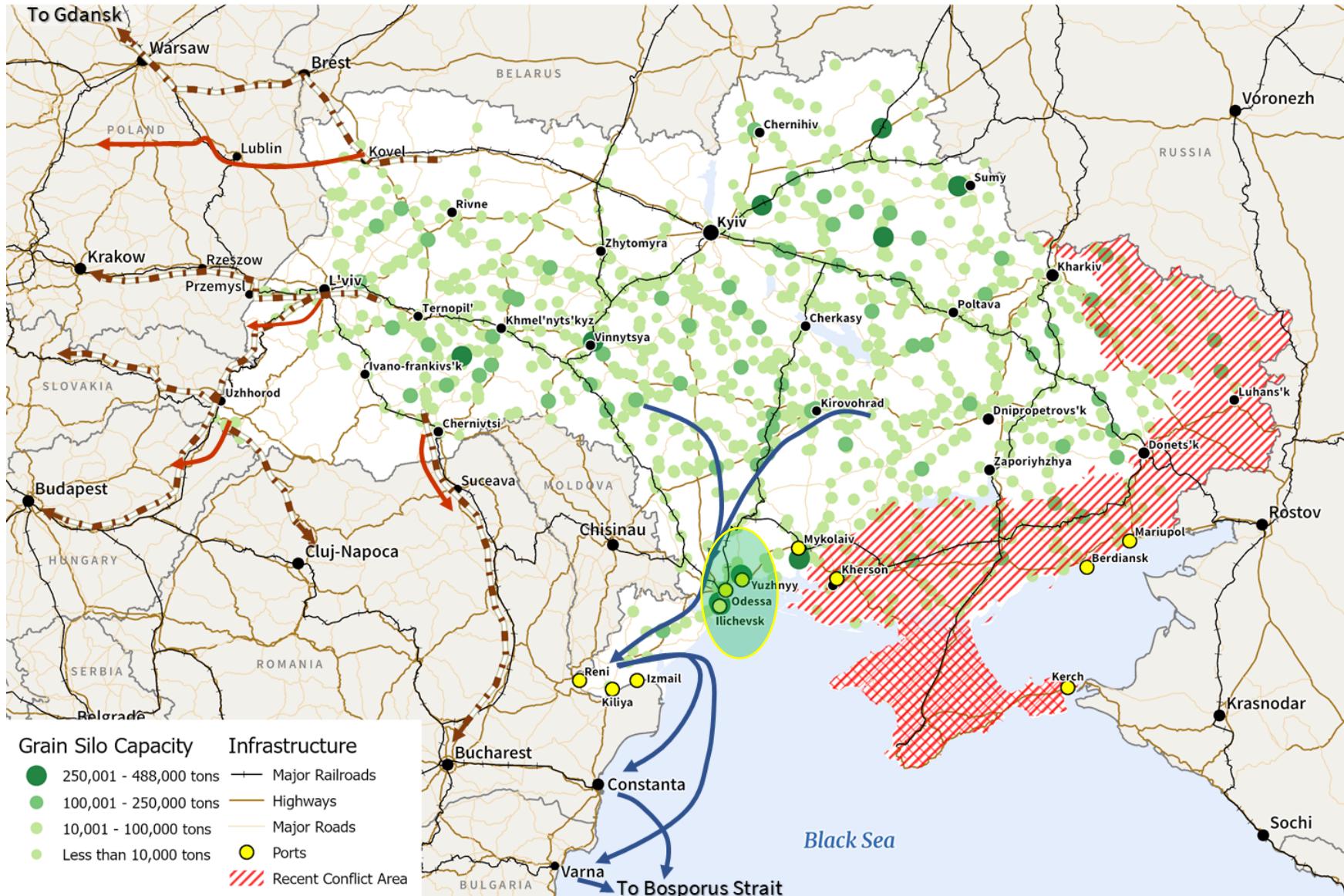
## Soybean Oil Share of U.S. Futures Value



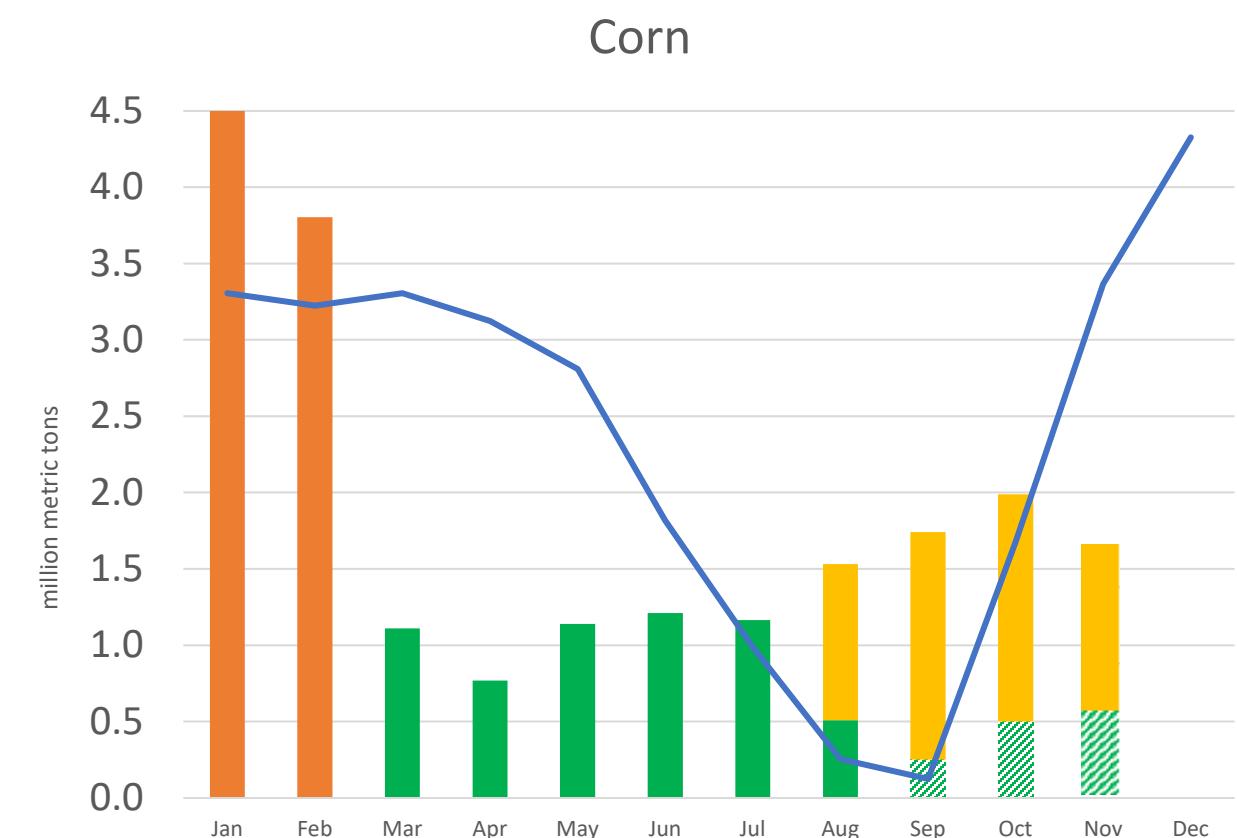
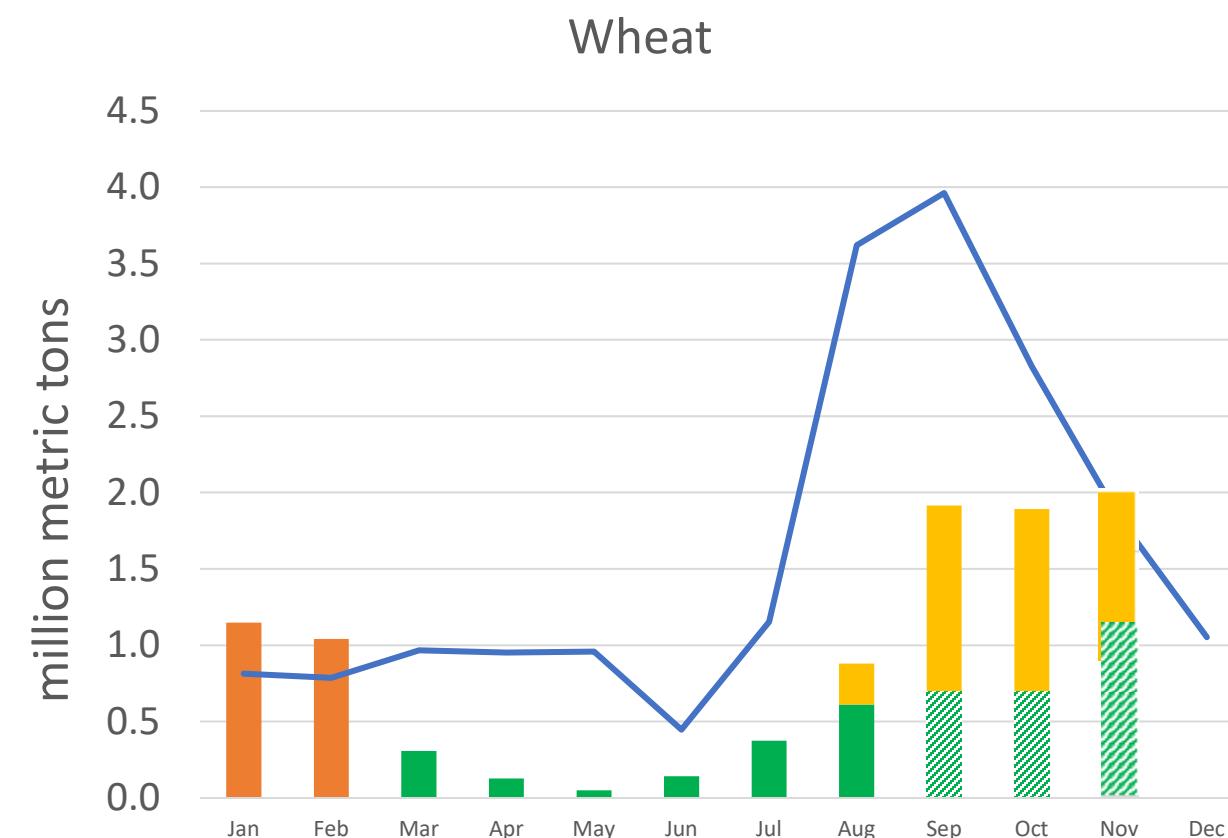
# Inland fertilizer prices selling at a widening premium relative to gulf



## Ukraine: Export Routes for Agricultural Products



# Ukraine pace of exports



2022 Port shipments under UN Black Sea Grain Initiative

2022 Alternative routes

2022 pre-War

2019-2021 avg

2022 Port shipments under UN Black Sea Grain Initiative

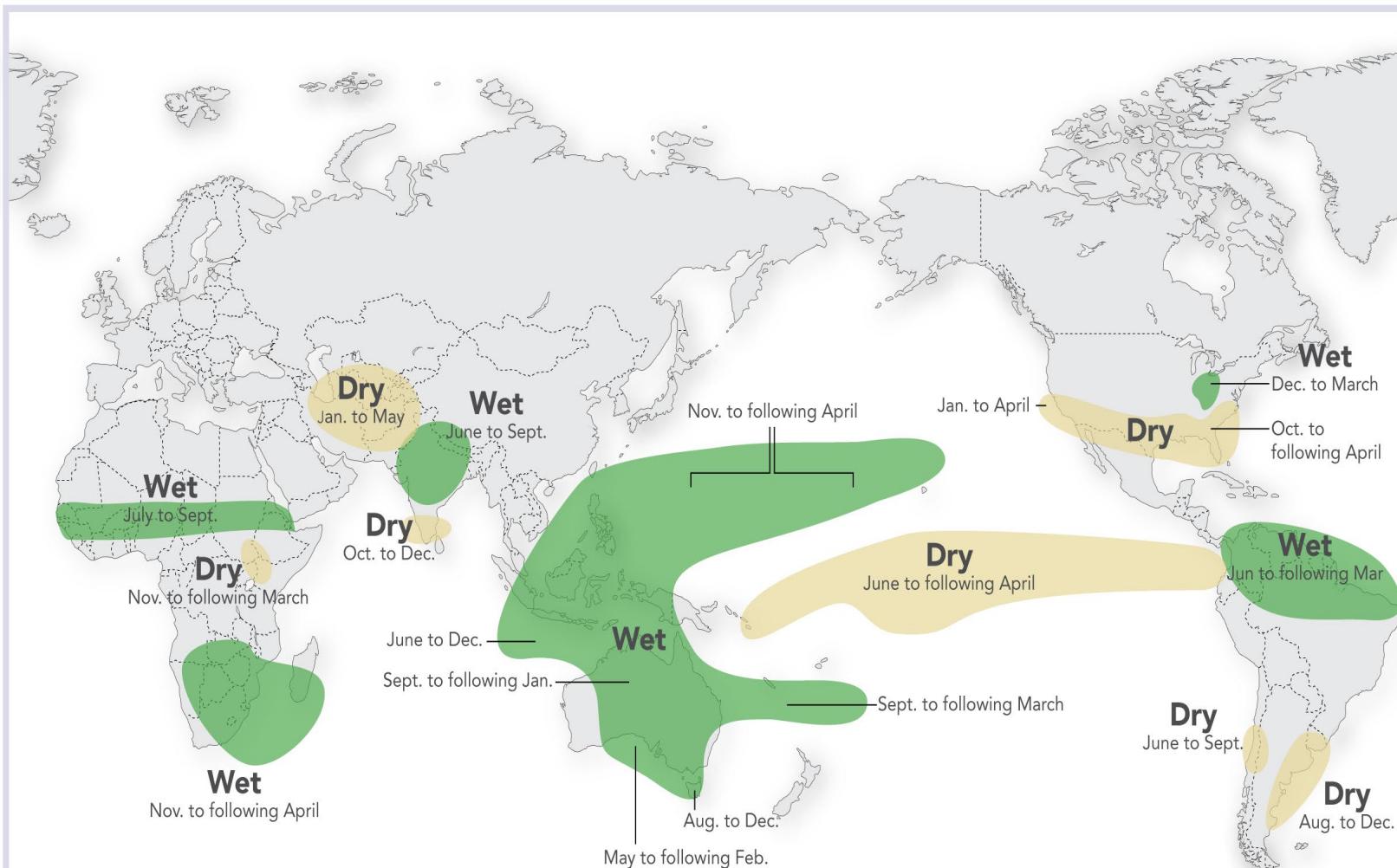
2022 Alternative routes

2022 pre-War

2019-2021 avg

# La Niña and Rainfall

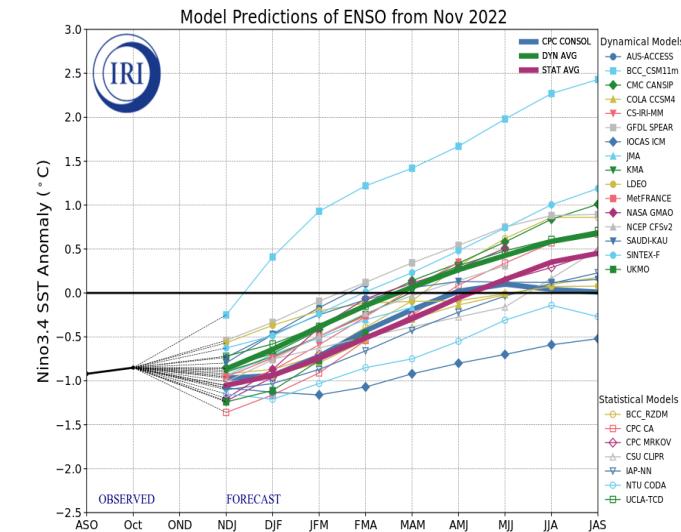
La Niña conditions in the tropical Pacific are known to shift rainfall patterns in many different parts of the world. Although they vary somewhat from one La Niña to the next, the strongest shifts remain fairly consistent in the regions and seasons shown on the map below.



For more information on El Niño and La Niña, go to: <http://iri.columbia.edu/enso>

Sources:

1. Ropelewski, C. F. and M. S. Halpert, 1989: Precipitation patterns associated with the high index phase of the Southern Oscillation. *J. Climate.*, 2, 268-284.
2. Mason and Goddard, 2001. Probabilistic precipitation anomalies associated with ENSO. *Bull. Am. Meteorol. Soc.* 82, 619-638

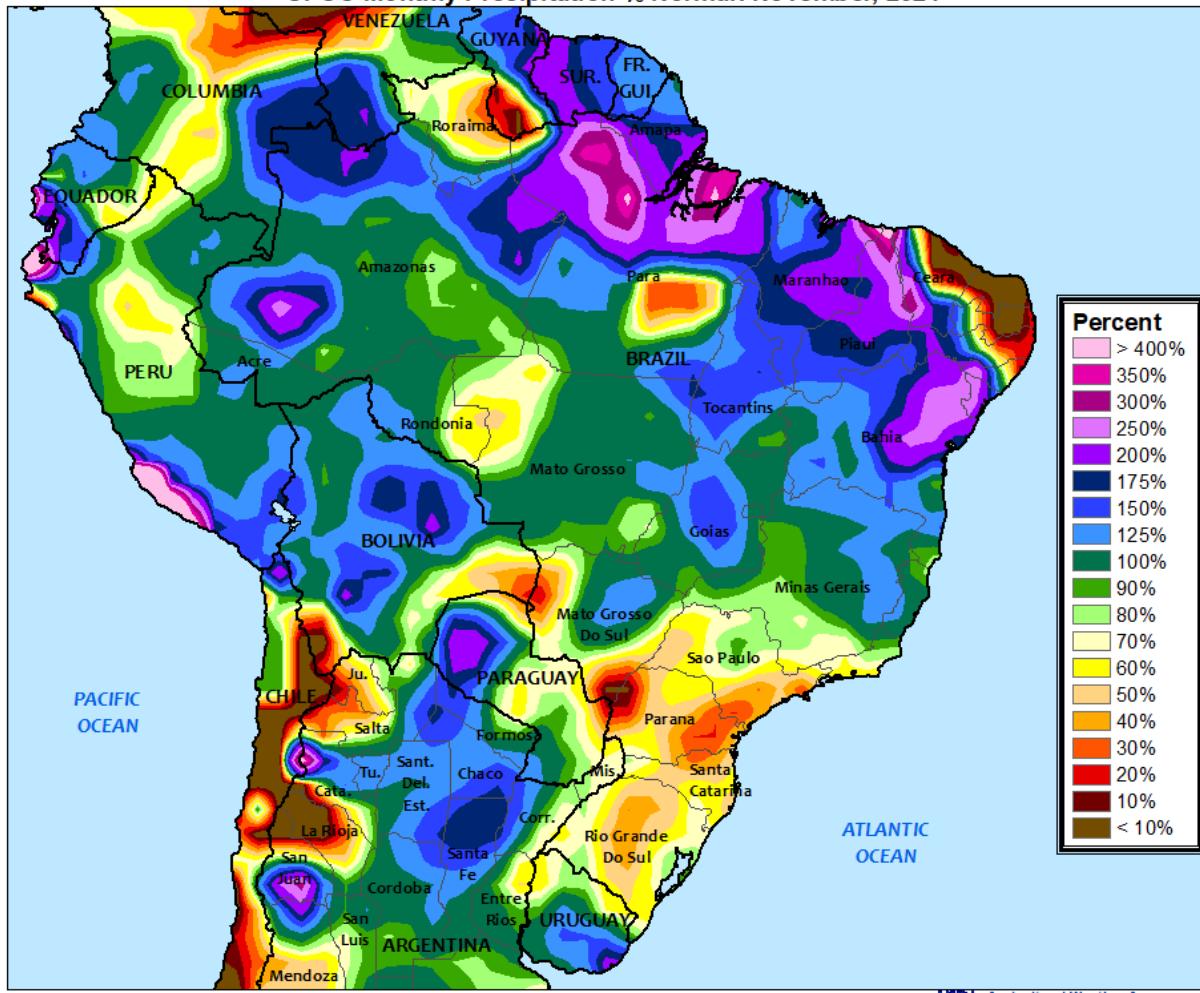


Prior 3-Year La Niñas:  
1998-2001  
1973-1976

# LAST YEAR: Percent of Normal Precipitation (%)

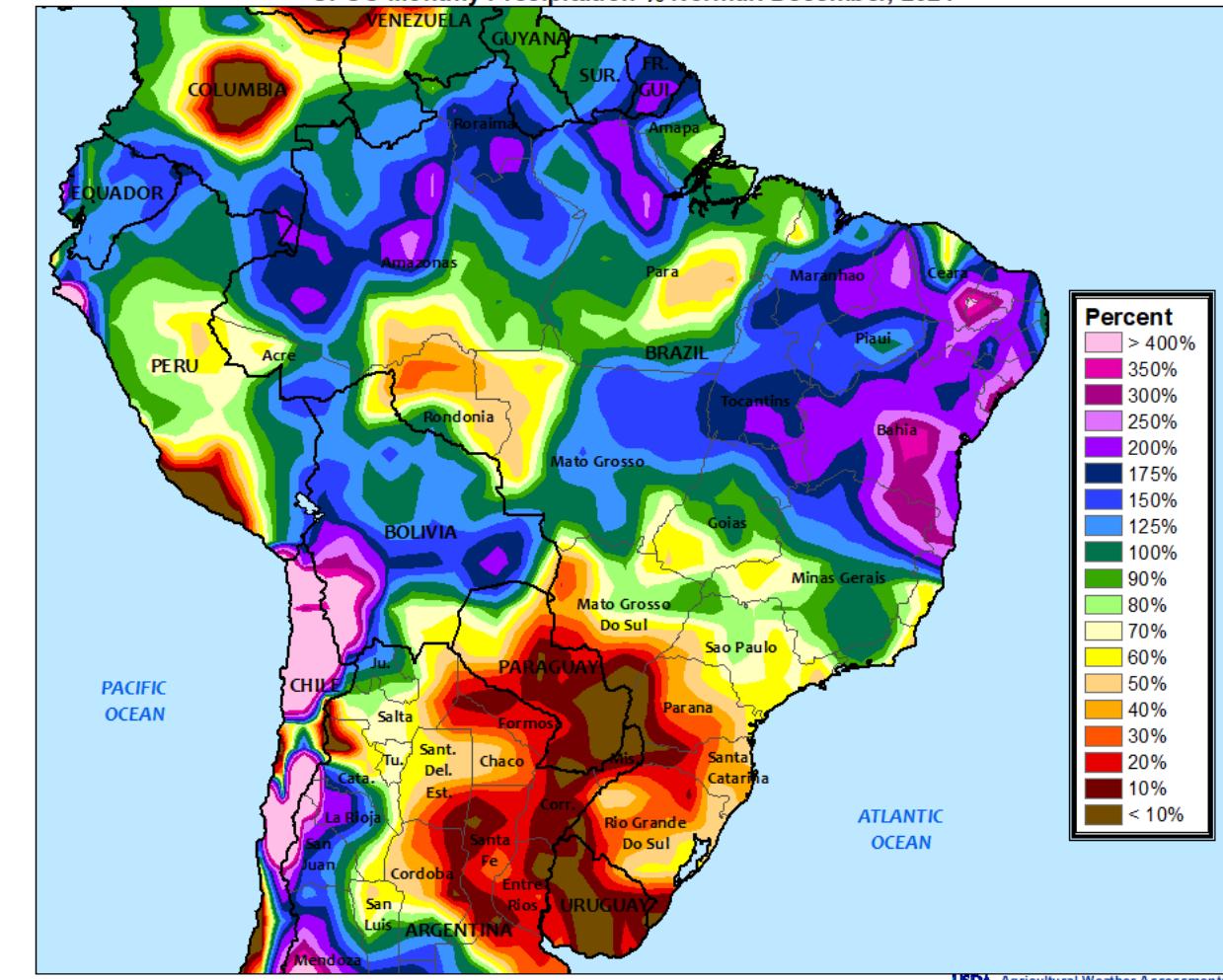
November 2021

GPCC Monthly Precipitation % Normal: November, 2021



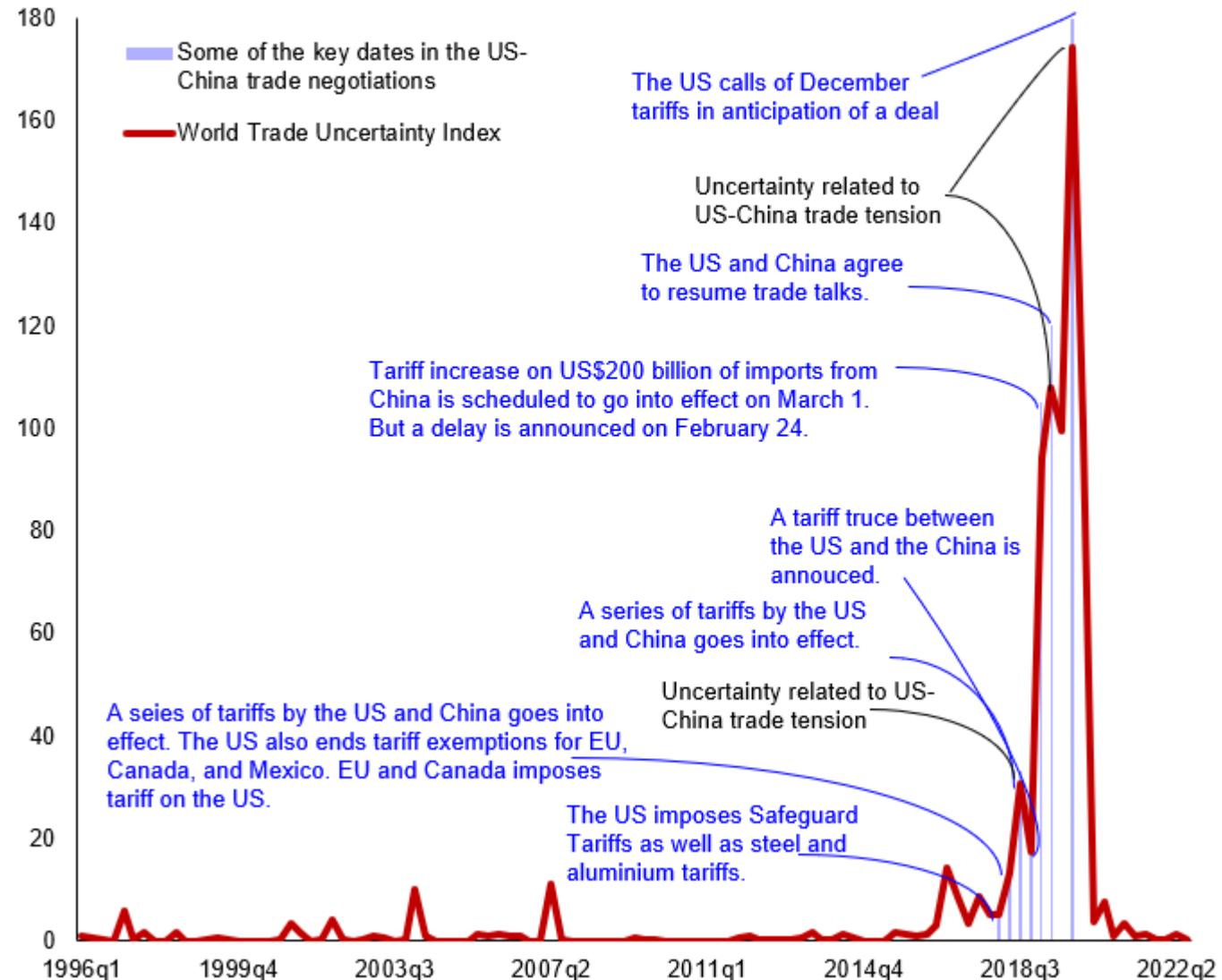
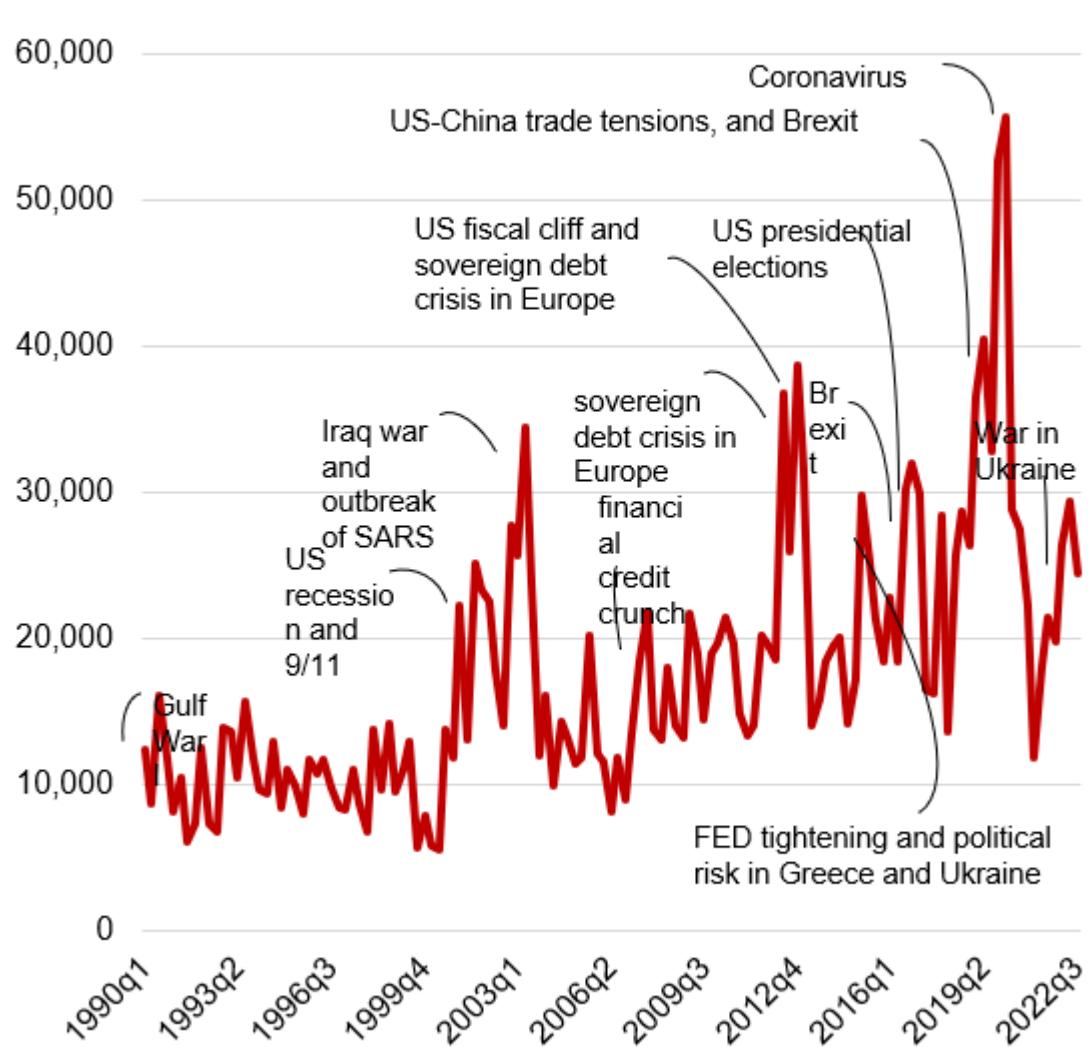
December 2021

GPCC Monthly Precipitation % Normal: December, 2021

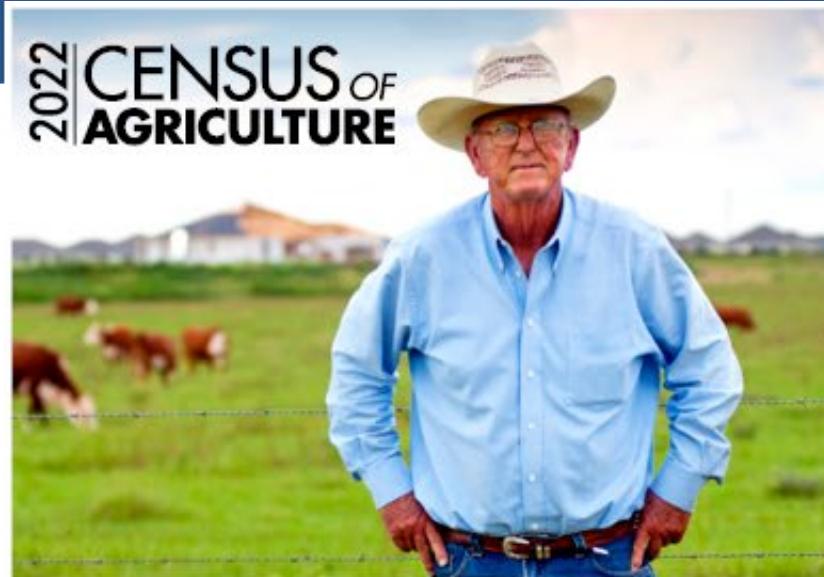


# Uncertainty, World economy and Trade

Ahir, H, N Bloom, and D Furceri (2022), "World Uncertainty Index", NBER Working Paper.



2022 CENSUS OF  
AGRICULTURE



RESPOND NOW



United States Department of Agriculture  
National Agricultural Statistics Service

[agcounts.usda.gov](http://agcounts.usda.gov)

USDA's  
99th  
Annual

# Agricultural Outlook Forum

Hybrid  
Event

February 23-24, 2023

<https://www.usda.gov/oce/ag-outlook-forum>

**World Agricultural Supply and Demand Estimates**

Volume 104, No. 15 April 11, 2017 <http://www.usda.gov/oce/wasd>

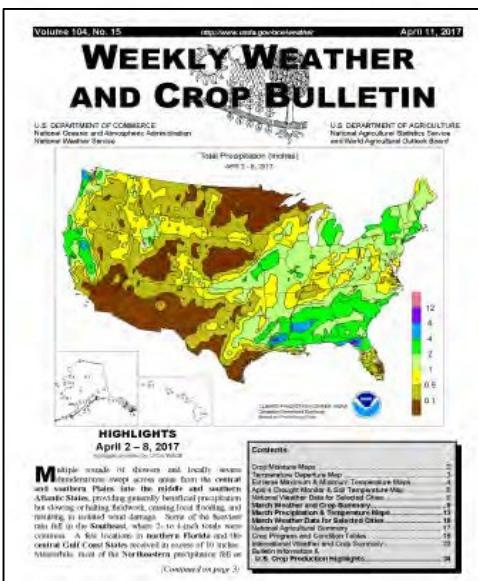
Office of the Chief Economist | Agricultural Marketing Service | Economic Research Service | Foreign Agricultural Service | USDA FAS | USDA

**WASDE:** U.S. wheat ending stocks for 2016/17 are raised 30 million bushels on lower feed and residual use which made from officials a slight import reduction. At 1.156-million bushels, ending stocks are projected to reach a near 10-year high. Feed and residual use is lowered 30 million bushels to 199 million which reflects lower-than-expected disappearance for the December-February and September-November grain marketing years. The report is revised December 1 stocks from the March 31 Grain Stocks report. The report change is based on the pace to date with reductions for soft red winter and durum.

**Global 2016/17 wheat supplies** are raised 1.7 million tons due to higher projected beginning stocks and a 3-million-ton increase in production. The change to beginning stocks stems from a 1.4-million-ton reduction in 2015/16 domestic consumption, primarily in the EU. World exports are lowered 0.3 million tons led by 0.5-million-ton reductions in exports to the EU, Canada, Korea, and Russia. Total wheat imports are highest projected imports for the EU and Australia. Total wheat consumption for 2016/17 is lowered 0.6 million tons to 740.8 million with a 1.9-million-ton decrease in the United States. More than offsetting a small net increase for foreign countries. With supplies strong and use declining, global ending stocks are raised 2.3 million tons to 259.3 million.

**COARSE GRAINS:** This month's 2016/17 U.S. corn outlook is for increased corn used to produce ethanol, reduced feed and residual use and unchanged ending stocks. Corn used to produce ethanol is raised 50 million bushels to 5.450 million bushels. The increase is due to a 10-million-ton reduction in projected feed and residual use to 5.500 million bushels based on disappearance increased during the first half of the marketing year in the March 31 Grain Stocks. With offsetting usage changes, ending stocks are unchanged from last month. The season-average corn price measured by producers is unchanged at the midpoint with the range narrowed to \$3.25 to \$3.50 per bushel.

Global coarse grain production for 2016/17 is forecast 4.4 million tons higher than last month to 1.346.1 million. This month's foreign coarse grain outlook is for increased production, consumption, trade, and stocks relative to last month. Brazil's



# So where are we at?

- Global balance sheets for corn and wheat are likely to remain tight through 2022/23.
- Rice markets have more recently been drawn into the volatility
- While global soybean stocks are likely to increase (with a 'normal' South American crop, US crush demand is robust
- With tight supplies, economic uncertainty, and a more dynamic war in Ukraine, output and input prices are experiencing volatility, making producer margins uncertain.